

J BRUYNES
SOUTHBARRY AVE
MAMARONECK N Y
RR441 NOV 37

NATION'S

BUSINESS

A large circular frame contains a black and white photograph. On the right side of the circle, a man wearing a flat cap and a dark shirt is pointing his right index finger towards the left. On the left side of the circle, there is a framed picture of a crying baby. The text "WHAT HURTS BUSINESS HURTS ME" is printed in large, bold, sans-serif capital letters across the top of the baby's picture. Below the baby's picture, the text "Read NATION'S BUSINESS MAGAZINE" is printed in a smaller font, with "Read" in a script font.

WHAT HURTS BUSINESS
HURTS ME

Read
NATION'S BUSINESS
MAGAZINE

52,000,000 Daily—page 11

February
1938

Your Stake in Labor's War by Louis Stark • Where the Full Dinner Pail Comes
From by T. N. Carver • What of Social Security's Millions?



THIS LITTLE LADY TALKS
WITH HER HANDS
to offices far away

WHEN fingers flash a message on the teletypewriter, it is automatically reproduced at as many points as there are machines connected. Distance between them makes no difference.

All types of businesses are using this typing-by-wire service to speed all kinds of messages . . . business discussions, credit matters, factory orders, shipping instructions, stock transac-

tions. It permits *complete* two-way communication, with typewritten records of every word exchanged, and all necessary carbons. Any typist can quickly learn to operate a teletypewriter.

Perhaps the teletypewriter keyboard is the key to *your* communication needs. Call your local telephone office. A Bell System representative will be glad to discuss it with you.

BELL SYSTEM TELETYPEWRITER SERVICE



Contin
Wilson
11-7-39

QUESTIONS our readers are asking:

- 1 • WHAT do I care if CIO and A.F. of L. cut each other's throats? How can it possibly affect me? ANSWER ON PAGE 15
- 2 • IN times like these, where can a small concern get money for improvements or expansion? ON PAGE 17
- 3 • CAN anybody explain, in words of one syllable, just what is being done with the social security reserves and why it is being done that way? . . ON PAGE 21
- 4 • IF the government insists on taking over all the industries, wouldn't we really be just as well off in the long run? ON PAGE 22
- 5 • NOW that government building projects have reached the point where tenants are being selected, what has been accomplished? Have slums really been eliminated? ON PAGE 25
- 6 • EVERYBODY agrees that the income tax laws are a mess but has anybody any new ideas about how the job could be handled? ON PAGE 27
- 7 • WE'VE been told often enough that industry has no place for old men. Is there any truth in the statement? ON PAGE 29
- 8 • WHY is it that, every time our town adopts a new budget, the figures are higher? ON PAGE 34
- 9 • WHATEVER happened to the plan for seven little TVA's scattered all over the country? ON PAGE 43
- 10 • YOU don't hear as much about labor trouble in Akron as you did a while ago. What happened out there? ON PAGE 55
- 11 • Business men tell us that profits aren't the only things they think about. What are some of the other things? ON PAGE 68

What is Coming in March
Turn to Page 64

Contents for February . . .

	PAGE
Your Stake in Labor's War	15
By LOUIS STARK	
Ready Cash for Small Concerns	17
By WILLIAM HURD HILLYER	
Fido and Bossy Open New Markets	18
By CHARLES MORROW WILSON	
What of Social Security's Millions?	21
By BIRCHARD E. WYATT	
The Full Dinner Pail—and Where It Comes From	22
By THOMAS NIXON CARVER	
It is Not Low Cost Housing	25
By FREDERICK A. VAN FLEET	
A Simplified Income Tax Schedule	27
By IRVING FISHER	
Older Men in the Steel Mills	29
By FRANK PURNELL	
Electricity Makes the Family Organ "Hum"	32
The Birth of a City Budget	34
By C. A. CROSSER	
The Test Tube City Rejects the Union	55
By ROBERT MOREHEAD	
—And Promote the General Welfare	68
By EMERSON ROBINSON	
How Not to Run a Business	74
By WILLIAM A. MCGARRY	
The Regular Features . . .	
Through the Editor's Specs.....	7
Business Courage Denatured by Demagogu By MERLE THORPE	13
No Business Can Escape Change.....	40
Leaders in the March of Business.....	42
Washington and Your Business.....By HERBERT COREY	43
Speaking of Finance.....By EDWARD H. COLLINS	51
The Map of the Nation's Business.....By FRANK GREENE	60
Memo . . . for Busy Readers.....	63
Business Men Say.....	66

NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE UNITED STATES

VOLUME 26

Merle Thorpe, Editor & Publisher

NUMBER 2

Managing Editor, RAYMOND C. WILLOUGHBY; Business Manager, LAWRENCE F. HURLEY; Director of Advertising, E. V. THOMPSON.

GENERAL OFFICE—Washington, U. S. Chamber Building. BRANCH OFFICES—New York, Graybar Bldg. San Francisco, 433 California Street. Dallas, 1101

Commerce St. Chicago, First National Bank Building. Atlanta, Chamber of Commerce Building. As the official magazine of the Chamber of Commerce of the United States this publication carries authoritative notices and articles in regard to the activities of the Chamber; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers.

Business

DEPENDS ON MONROE FOR FIGURES

BUSINESS has come to depend on Monroe for figures, because as figures pour through every office, factory, and store in the land, every hour of every day, Monroe machines produce the greatest number of accurate answers in the least time, at the lowest cost.

Whatever your figure work, there is a "Velvet Touch" Monroe exactly adapted to it; and there is a Monroe-owned branch near you to assure you uninterrupted figure production at all times.

CANS . . . A can looks like a simple thing; but into the making, selling, and distributing of billions of cans go almost every kind of figure work. Continental Can Co. use Monroes at many of their plants and offices throughout the country. They have found that they can bank on Monroe's nation-wide figure service.



TRAINS . . . Just as the Edw. G. Budd Mfg. Co. use the most modern welding methods in making streamlined trains, so do they use the most modern equipment for all their figuring. They depend on Monroe machines.



COMFORT . . . Furnishing comfort and safety to the travelling millions means constant

service, constant figuring. The Pullman Company keeps figures flowing along smoothly with Monroes.



SHAVES . . . Gem, Ever-Ready, and Star Razors are known the world over. American Safety Razor Corp. uses Monroes to ease and speed up daily output of figures.



FLEXIBLE . . . Monroe offers 200 models; a machine for every figure job. Photo shows a Monroe Adding-Listing Machine; a desk-size machine with "Velvet Touch" keyboard, direct plus and minus bars, live operating keys. Simple, speedy, and sturdy.

A MONROE FOR EVERY FIGURE JOB

ADDING-CALCULATORS
LISTING MACHINES
BOOKKEEPING MACHINES
CHECK WRITERS
CHECK SIGNERS

MONROE

CALCULATING MACHINE COMPANY, INC.
GENERAL OFFICES • ORANGE, N.J.

Please send me free booklet
"Give a Thought to Keyboards."

Name.....

Address.....

MORE THAN 150 MONROE-OWNED BRANCHES SERVE AMERICAN BUSINESS

Blue Ribbon Ships OF THE PACIFIC



The great white *Empresses* hold every speed record to and from the Orient. 10 days direct to Yokohama by *Empress of Asia* or *Empress of Russia*. Or only three days more via Hawaii by *Empress of Japan*, largest and fastest on the Pacific, or *Empress of Canada*. Connect at Honolulu from California ports.

From Vancouver and Victoria to Yokohama, Kobe, Nagasaki, Shanghai, Hong Kong, Manila. Details from YOUR TRAVEL AGENT or Canadian Pacific: 41 offices in U. S. and Canada.



Canadian Pacific

Through the EDITOR'S SPECS

The Future

AMERICAN business will continue to move cautiously toward the still distant goal of prosperity, as long as full play of its resources is qualified with the disturbing variables of "politics." Willing and ready as trade and industry stand to project their commitments and enlarge their operations, their unhappy experience with official sanctions is bound to temper any uplift of spirit from exchanges of views with the powers in Washington.

If the Congress asserts its traditional prerogatives, business will have substantial reason to hope for clarification and settlement of the great issues now before the country. A continuing deterrent to recovery appears in the petulant chastisements bureaucracy administers to legitimate business while at the same time exhorting it to expand the opportunities for employment.

WITH leadership in every economic field forced to compromise with circumstances quite beyond its control, the charge that business has failed to rise to its opportunities is valid only when it is squared with the burden of doubt and fear to which it has been subjected. It must be clear to everyone that in a democracy business leadership is circumscribed by the play of political influences. The most it can do in the sphere of public policy is to advise and recommend. It is a matter of record that the voice of business has repeatedly spoken for the good of the nation in time of emergency. How summarily that voice has been ignored on occasion the commercial community could convincingly testify.

AN OPEN mind contemplating what business can do within the framework imposed upon it by Government would immediately see the limitations to the full scope of activity. Regulation in ever increasing formalism is the order of the day. How much of it is in the public interest is, of course, debatable.

The longest look ahead can reveal no solid expectation of gains in the indices of production and distribu-

tion which does not rest on the need for stabilization of public policy. Easing of tax and regulatory burdens would be immediately helpful, of course. More to the vitals of the situation would an avowed change of Government by improvisation to Government by deliberation.

Picket careers

A MAN who appeared before a magistrate in New York City not long ago on a disorderly conduct charge gave his occupation as that of picket. In answer to questions from the bench, he admitted further that he was a professional picket.

"Are you a member of the pickets' union?" the judge asked.

"There isn't any pickets' union. A friend of mine tried to start one some time ago. . . ."

"But there were too many pickets from the unions crowding you professionals out of work?" the judge queried.

"Yes, your honor."

The top-rate picketing wage, said George Ritchie in the *New York Sun*, is \$1 an hour—tramping one hour on and one hour off. The record for steady work seems to be at a restaurant in St. Louis which has been patrolled by members of the waitresses' union steadily, eight hours a day, since June 9, 1933.

In the public interest

PICKETING has become big, promiscuous and wide-spread, but it seems to us that picketing is not what it used to be. What we miss is the militant, blood-in-the-eye, brick-heaving picket of other days. From a grudge, picketing has deteriorated into a profession of the all-in-a-day's-work type. We didn't realize that had happened until we read the decision of Judge Peyton Gordon of the District Federal Court, in which he held that the right to picket was not confined to strikers or former employees of the business picketed, which, in effect, gives anybody the right to picket, with or without a grievance.

This caused us to look into picketing as a profession. We discovered that some pickets are paid \$2.50 a day, that they picket first one place



CLEAN BILL OF HEALTH

THIS thoroughbred, on the eve of its purchase, has just been given a clean bill of health by the "vet" . . . declared by him, upon examination, "serviceably sound."

And, similarly in the case of power boilers, both the manufacturer and the buyer welcome a clean bill of health from Hartford Steam Boiler.

Hartford's chief function is insurance. To lessen the chance of disaster, Hartford inspects periodically all equipment covered by its policies.

But, in addition, this Company shop-inspects *ninety per cent* of all America's power boilers during their fabrication. And all pressure vessels thus approved bear thereafter the signature of sound construction: the Hartford impress.

For 71 years, Hartford has been at the study of the science of preventing power-plant accidents. From its regulations and standards have grown today's criteria of safe boiler building.

Ask your agent or broker to place *your* boiler or machinery insurance with this first authority in power protection . . . industry's choice for half of all engineering insurance carried in America.



**THE HARTFORD STEAM BOILER
INSPECTION AND INSURANCE COMPANY**

HARTFORD, CONNECTICUT

OLDEST IN THE COUNTRY, LARGEST IN THE WORLD, ENGINEERING INSURANCE EXCLUSIVELY

and then another with no certainty of how long the job will last. Our research led us to believe that what the pickets need is a union, with minimum wages and maximum hours. Or better still a contract with their employer. Pickets cannot give the best there is in them when they realize that satisfied workers on the inside are paid three or four times as much as they are, while they are exposed to heat and cold, rain and sun. If workers want a place picketed it stands to reason that they should picket it themselves, or hire pickets at a wage that will enable them to achieve the American standard of living. Labor cannot long endure half-working and half-picketing, one well paid and one underpaid. A picket union would go far toward raising the standard.

Trade and banter

THE QUEEN of National Fur Week, on the eve of her reception at the White House, has to cope with the hideous problem as to whether she shall wear the \$35,000 sable coat or the \$15,000 white ermine one. . . . The original "graphophone" invented by Alexander Graham Bell in 1881 is asked to speak before a reverential group in the Smithsonian. Into the silence the oracle grinds out: "I am a graphophone and my mother was a phonograph." . . . Inventors march on, and the Arrowbile, a flying automobile of 110 miles speed in the air and 55 on the ground, gathers throngs of spectators at the New York annual auto show. . . .

The Milwaukee police make monkeys of erring motorists by tucking peanuts in front of the front- and behind the rear-wheels of suspected parking violators. . . . Oyster shells, which often get into newspapers because of their various uses, have now "made" the wallpapers in person, giving the room a pearly cast . . . and Russia finishes her 3½ ton Mosaic map with its 11,000 precious stones displaying the industrial and natural resources of the Soviet Republic . . . while, off in Australia, the male pineapple plant is being requisitioned to furnish "silk" for feminine stockings. . . .

A gentleman's tailor in New York sent out this postcard invitation:

Saturday afternoons radio will be welcome to you to hear football games. Suits not sold during game time, but perhaps between halves, if you insist.

No rewards, no risks

GREAT risks are undertaken only when there is a prospect of high rewards. No small potatoes could have tempted the dangerous achievements of William the Silent, Robert Clive,

Louis Pasteur and Robert Falcon Scott. Men will not chance that which they have except to win greater things—either in spiritual satisfaction, glory, power or material possessions. It is no different in the field of business enterprise than in other, supposedly higher endeavors. There, too, many are called and few are chosen. When rewards are curtailed, initiative is dampened to the same extent. It is a clause in the Law of Compensation and none can repeal it, however high his motives or subtle his methods.

The Pro and the "Con"

IF BUSINESS is going to do its part to bring about revival, business must boldly reduce prices to the point necessary to cause a normal flow of goods to the consumer. Big Business today is not permitting the competitive system to work.—Robert H. Jackson, assistant attorney general of the United States, before a consumers organization.

Instead of maintaining some measure of consistency in national policy enabling business to know where it stands, we have had all manner of inconsistency. Just one example has been the Administration's drive for higher commodity prices and the tilting of costs and prices through heavy taxes and other means; only to be followed by a federal investigation of the alleged monopolistic causes of these self-same advances.—T. M. Girdler, chairman, Republic Steel Corporation.

Training for trouble-makers

HERE'S another one of those little truths that are so simple that they get "lost":

In a speech, C. M. White, operations vice president of Republic Steel, said, "We estimate that it takes at least five years to train properly a man in our industrial relations department."

And, he thought, it must take equally that long to train a union representative.

The year 1937 certainly proved that "off the soapbox and into the conference room" is too short a course in that delicate thing known as industrial relations. The quick-quick graduates seldom advanced industrial peace and so often defeated the best interests of those whom they represented.

Washington fantasia

FOOLING THE BABY: When the United States Bureau of Home Economics is not studying the kitchen behavior of housewives, the physiological attributes of bed sheets, or the number of strokes required in the kneading of dough, it fashions baby clothes. Bibs are its latest contribution to the tired mother. The bib is a "self-help" bib. It displays a remarkable ingenuity. It has wooden beads on it. "As

Why Do So Many Presidents Enroll with the ALEXANDER HAMILTON INSTITUTE?

MORE than 50,000 presidents and owners of American business concerns have enrolled with the Institute for executive training.

Why?

Because they know that organized knowledge of business is an essential qualification to every responsible executive.

Because they know that modern business is too big to learn by personal experience alone.

Because they know that the Institute has gathered the experience of the most successful business men of America and the proved principles and methods of thousands of companies; formulated and organized this knowledge for their use.

Because they know that modern business has set new standards of executive competence and that the Institute training prepares them to meet these standards.

To Executives and Coming Executives
The Institute Offers
ORGANIZED KNOWLEDGE of
BUSINESS

The Institute training is not for Presidents alone—but it is planned only for executives and those who are determined to become



executives. The Institute offers the knowledge and training without which no man is qualified for executive responsibility.

For more than a quarter-century the Institute has been preparing men for business

management, giving them the thorough, organized knowledge of production, marketing, finance, and accounting essential to competent administration. Many of those enrolled have been ranking executives who recognized their need for better equipment; many others have been far-sighted men, twenty-five years of age and upward, preparing in advance for the opportunities they know will come.

If you belong in either of these two groups the Institute offers you the ideas, experience, methods, and judgment of the most successful business men of America, formulated and organized to give you a confident mastery of tested, modern business principles and practice.

If you are determined to command a higher place in American business life, to qualify fully for executive responsibility, to win for yourself financial independence, then you will want to read "Forging Ahead in Business" with its important message to men who want to go far in business. A new edition of this famous book is ready and we will gladly send you a copy free. Just mail the coupon.

Among the many American business leaders who have helped to build the Institute's Course and Service are:

C. M. Chester, Chairman, General Foods Corp.; Thomas J. Watson, President, International Business Machines Corp.; Alfred P. Sloan, Jr., Chairman, General Motors Corp.; Benjamin Rush, President, Insurance Company of North America; Frederick W. Pickard, Vice-President, E. I. duPont de Nemours & Company, Inc.; Fowler Manning, President, Air-Conditioning Division American Radiator Corporation; Robert H. Montgomery, Lybrand, Ross Brothers & Montgomery; John G. Lonsdale, President, Mercantile-Commerce Bank & Trust Co.; Samuel W. Reyburn, Chairman, Board of Directors, Associated Dry Goods Corp.; Clifton Slusser, Vice-President, Goodyear Tire & Rubber Co.; and many more.

ALEXANDER HAMILTON INSTITUTE

To the ALEXANDER HAMILTON INSTITUTE,

130 Astor Place, New York, N. Y.

Please mail me, without cost or obligation, a copy of "Forging Ahead in Business."

Name

Business Address

Position

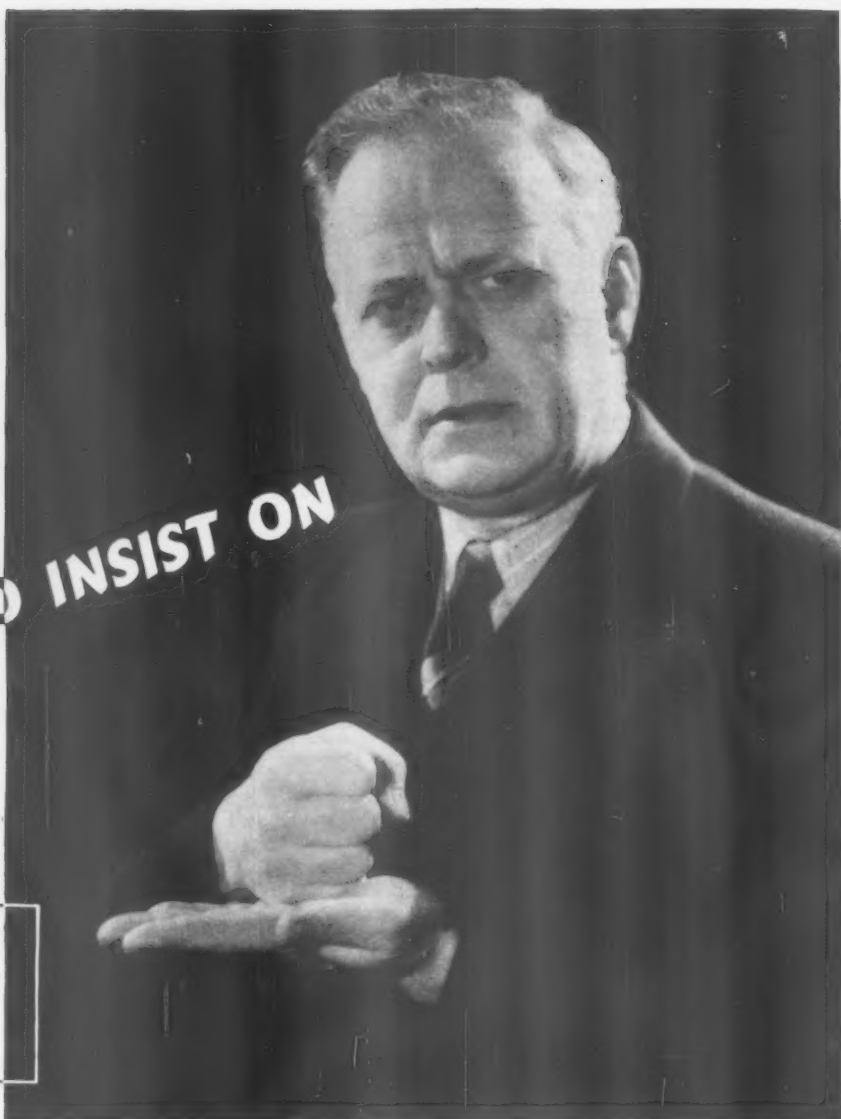


**"I WANT YOU TO INSIST ON
PREFORMED"**

Time: Present

*Place: Purchasing
Agent's Office*

Character: President



"ORDERING wire rope by size and construction isn't enough. Make certain you get preformed. Sure, our jobbers have been supplying us with wire rope for years. But even so, let's not take routine purchases of equipment for granted. Preformed wire rope lasts longer—saves money. Make sure we get its added value."

Executives everywhere have learned that wire rope, a relatively "minor" piece of equipment—*can be most important*. They realize now that longer rope service means fewer shut-

downs for repairs or replacements. Fewer shutdowns mean reduced idle time of men and equipment; therefore steadier production schedules.

Investigate your wire rope records. Find out how frequent are *your* machine shutdowns because of rope failure. Then ask your regular wire rope supplier or manufacturer about preformed. He will gladly study your situation and recommend the best rope for your service requirements.

Ask Your Own Wire Rope Manufacturer

Preformed WIRE ROPE



Gives Greater Dollar Value on Many Applications

the child pulls the beads, the bib is drawn up to fit," the Bureau explains in a booklet. This "fascinates the child, and what might be a task for mother is turned into an educational game for the youngster."

PROPHETIC: Daily the big publicity mill of the Department of the Interior issues announcements by Secretary Ickes such as the appointment of new commissions, the naming of parks, the destruction of jack rabbits, the mentality of Indians, the designing of door mats or the number of windows in the mammoth Interior Building. Recently the Secretary announced the appointment of advisory committees on outdoor recreation—for camping, for skiing, for hiking.

PUNCH DRUNK: Navy doctors have added a new term to nosological nomenclature. It is "pugilistica dementia" to designate "punch drunk" officers who have really been fighters, as contrasted with those who stagger about from other causes.

PIG STYLES CHANGING: While the Director of the Unemployment Census was counting the unemployed, the Secretary of Agriculture across the Mall was counting pigs. The Secretary wanted to know the farmers' breeding intentions and the prospective size of pig litters next spring. He found, among other things, that pig styles are changing from the "short flat type of years ago, to the larger, longer and narrow hogs of recent years."

The law of accidents

"I USED to believe in the law of averages," said the Hon. William Lemke of North Dakota before the House of Representatives during the discussion of the Farm Bill. "I thought any person, according to the law of averages, would hit upon the right thing once in a while. I believe that we must now, however, adopt the law of accident as far as the Secretary of Agriculture is concerned, because if he ever hits it right it will be by accident."

The Congressman evidently is an admirer of Junius, who said to the Duke of Grafton, George III's prime minister: "It is not that you do wrong by design, but that you should never do right by mistake."

52,000,000 daily

Speaking of constructive Americanism, NATION'S BUSINESS is doing a fine job over its own signature in other magazines. It seems a sad thing that such obvious truths have to be told to the mob in paid space.—*Sales Management*

As a further contribution to a better understanding of business, there

appears this month on 12,147 outdoor boards two messages: "What Helps Business Helps You"; "What Hurts Business Hurts Me." Outdoor Advertising, Inc., estimates that 52,000,000 persons pass these boards daily. An interpretation of the messages appears in advertisements as reproduced on page 73 of this number.

Fruit of the cactus

BACK of that neatly Cellophane-packaged cactus candy that you see in some of the confectionery stores, with its colored reproduction of an old Spanish mission, a Mexican dance or a sun-baked desert landscape, is an industry that bridges two contrasting civilizations. It begins with an old Mexican in one of our southwestern states hauling to town in his creaking cart, pulled by an ancient donkey, a load of barrel cacti cut from the desert. The barbs have been removed for easier handling, leaving a spotted green and white surface.

The making of sweets from the succulent flesh of cactus is not new among desert peoples. The cactus plant is not a species, or even a genus. Botanically it embraces a whole family of fleshy-stemmed, prickly, leafless plants that grow in arid regions. As a raw product for *dulce* (candy), a very popular species is the Viznaga, or barrel cactus, still found in healthy abundance on the rugged slopes of mountains in West Texas, New Mexico and Arizona.

Utopia in terms of rubles

THE self-advertised "Industrial Utopia" which is U.S.S.R. has had a growing appeal for French labor in the last year or two. So Kleber Legay, Secretary of the Syndicate of Nord and Pas-de-Calais miners, traveled with a delegation to have a look at "planned economy" on its home grounds.

He returned perplexed, and wrote of his findings in *Le Populaire*. In the Donetz coal basin he reported that he found the ruble prices of necessities to be as follows:

Men's shoes, 290; boots, 315; women's shoes, 280; boys' suits, 260; men's overcoats, 350 to 520; house dresses, 294.

Pay he found to average seven to eight rubles a day. Even at the latter figure, the prices of the necessities listed represent, variously, 30 to 65 days' labor. M. Legay wonders how Soviet miners make both ends meet.

Of course, we are quite unenlightened; and we don't have "national planning," or not much. Still, conceding even that our system isn't perfect, the fact remains that here a few work-hours will buy anything on that list.

the principle
is important—

**MORSE
SILENT
CHAINS**

drive with
**TEETH
not
TENSION**

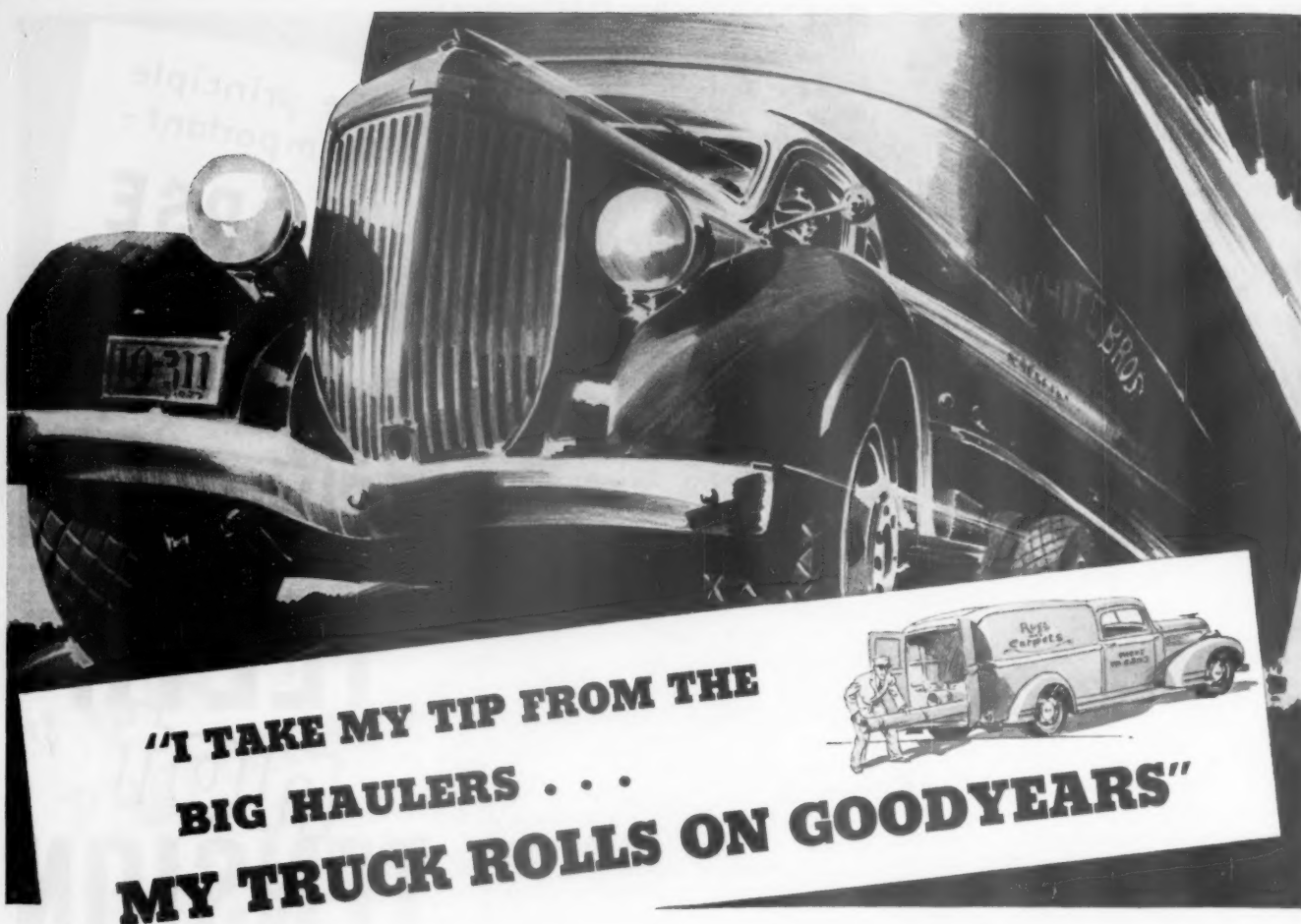
Slippage is ended, power loss whittled to a sliver by Morse Silent Chain drives. Because Morse Silent Chains employ Teeth, Not Tension to transmit power. A thousand fingers of steel grip and turn the sprockets smoothly, swiftly, surely. All the power you pay for goes into the machines.

Enthusiastic users of Morse positive drives report "higher production levels", "doubled machine capacity" after installation of these adaptable drives.


Investigate Morse drives for your plant. You'll find they cost no more than ordinary, less efficient types. The Morse man near you will be glad to help you in every way. Or write direct to

MORSE CHAIN COMPANY
ITHACA, NEW YORK
Division Borg-Warner Corporation





**"I TAKE MY TIP FROM THE
BIG HAULERS . . .
MY TRUCK ROLLS ON GOODYEARS"**



YOU DON'T have to be a big hauler of freight-car loads to appreciate what Goodyear engineers have done for truck operators.

Nor do you have to operate an intercity hauling business to benefit from the engineering genius which created the spectacular new Goodyear YKL Truck Tire.

You can run a truck of any size in any type of service, carry loads of any weight at any rate of speed. And still find a Goodyear Tire to fit your job.

It may be the spectacular new Goodyear YKL Truck Tire.

It may be the sensational new

Goodyear R-1 Truck Tire—a high quality tire which gives exceptional service at surprisingly low cost.

It may be the Goodyear All-Weather, the Stop-Start, the Sure-Grip or the Pneumatic Lug.

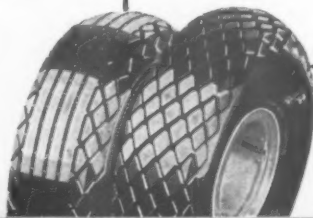
Each one of these tires and many others were developed by the same group of Goodyear engineers who created the new YKL—and each is designed to give more value per dollar than any other tire you can buy when it is correctly used.

That is why we say: "Put Goodyears—the right Goodyears—on any job and watch your mileage jump!"

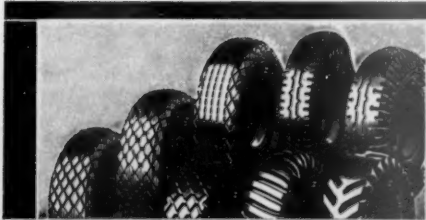
The Goodyear Tire & Rubber Company, Inc., Akron, Ohio

130,300 MILES

White Brothers Trucking Company of Hamilton, Ohio, haul nineteen loads of paper from Hamilton to Chicago. They make through trips as rapidly as the law permits—sustained speed, ruinous to tires. Conventional tires couldn't stand the punishment—often blew out with treads still good. In April, 1936, White Brothers bought a set of Goodyear YKL's—built with Rayotwist. One YKL traveled more than 120,000 miles, another more than 140,000 miles. The set averaged 130,300 miles.



The New **YKL**
BUILT WITH
RAYOTWIST*
* TRADE MARK REGISTERED



GOOD YEAR
TRUCK AND BUS TIRES

HERE'S ANOTHER TIP FOR YOU TO ACT ON ... THERE'S A REAL KICK IN A GOODYEAR BATTERY



Business Courage Denatured by Demagoguery

BUSINESS is the basic concern of the American people. If anyone doubts this he has only to take note of the current fulminations of the political doctors who sit in council upon its ills. The citizen's greatest stake in the well-being of his country is his interest in the well-being of business. To agree to the contrary requires either the zeal of political loyalty or a blind spot in observing the life of the common man.

Business is as broad as the country. It is as local as Four Corners. As individual as Smith's General Store. As neighborly as the delivery of medicine by the suburban druggist's boy. It reflects community opinion because it is an integral part of the community—whether it operates in Metropolis, U.S.A., or in Homeburg, Any State. Business is as native to America as the soil itself.

Business is just the sum total of all the activities of the people in their quest of a living. It is as near as their jobs, as real as a pay envelope, as serviceable as food, clothing, fuel and shelter, as comprehensive as life itself. What politics so freely gives—or talks of sharing—must first be earned or pledged by the people as the fruit of their resolution to develop their country, to increase the national income and the national wealth.

The idea that business is something apart from the lives of the people, something remote from the usual experience and practice of citizenship is as false as it is pernicious.

Participation in business is a rôle so ordinary that it has become a distinguishing commonplace in America. In a very real sense the nation lives by business and by its business men. From their work comes the satisfaction of human wants, the wherewithal to provide the refreshment of the spirit, and the means to sustain government and the national defense.

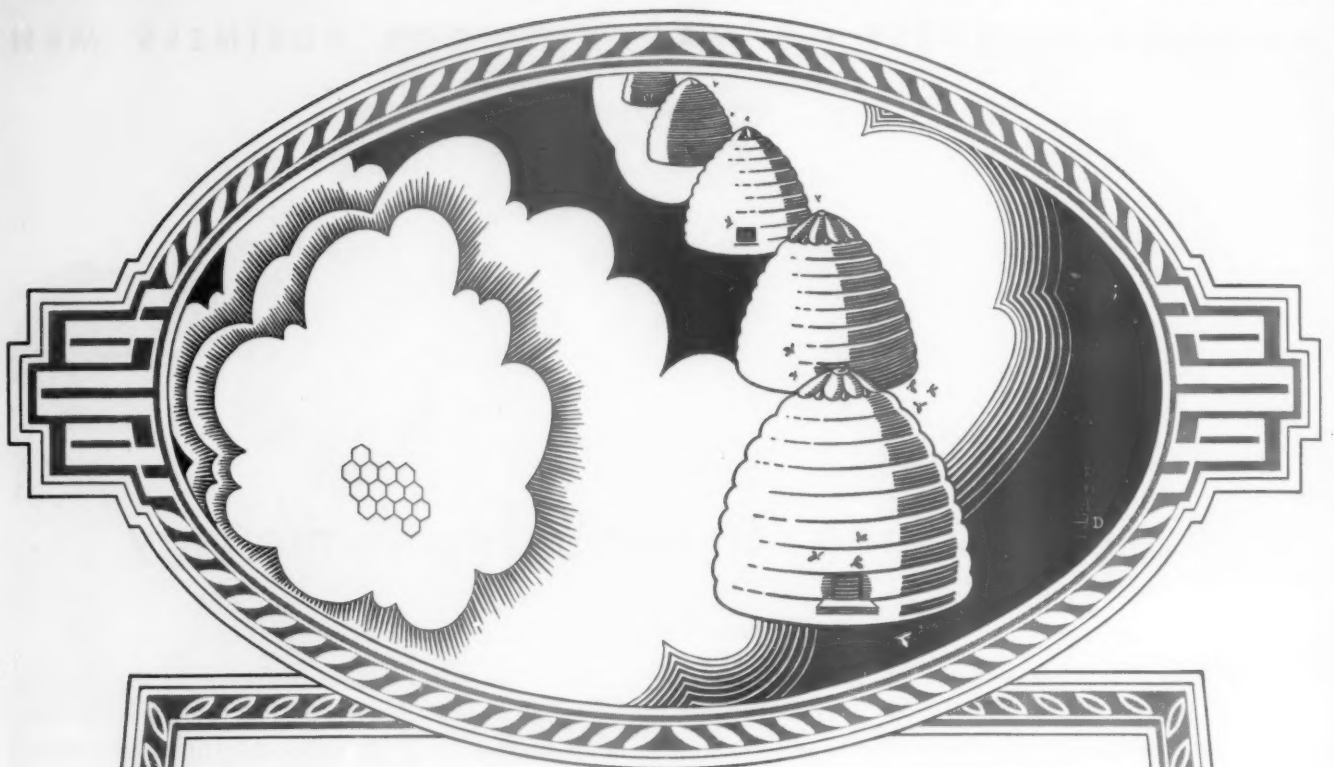
Since the world began this is true: When people fear political bondage, whether the threat be real or imaginary, their inherent enterprise falters and fails. As a result, individual net incomes dry up, everybody's scale of living, except those in public service, goes down; manufacturing declines; exchange of goods and services shrinks; wealth-producing jobs decrease. Confidence fades, and again fear takes the saddle.

The state of the national economy is only the aggregate of the state of the millions of business men. John Smith is still a law unto himself, whatever the statistics may say about him in the mass, or guinea-pig laboratories may show. A great national asset can be found in the fact that the determining causes of his destiny lie partly in his own personality. A man's belief in his power to use the circumstances of his life to good account is a great national asset in its own right. It is the last thing the nation can afford to ignore or to belittle.

It is only too obvious what a difference it makes whether men, who are free to act as they will, who can see ahead, choose to pledge themselves to higher and farther commitments of their resources or whether they denature normal courage with abnormal caution.

The only circumstances that can defeat millions of John Smiths is the belief that circumstances can do so. And when these millions come to apply the truism, "what hurts business hurts me," to everyday public questions, our guess is that their indignation and anger will drive demagogues and unscrupulous politicians to cover.

Mere Thorne



IN THESE LITTLE HOUSES YOU WILL FIND
ORGANIZATION PERFECTED

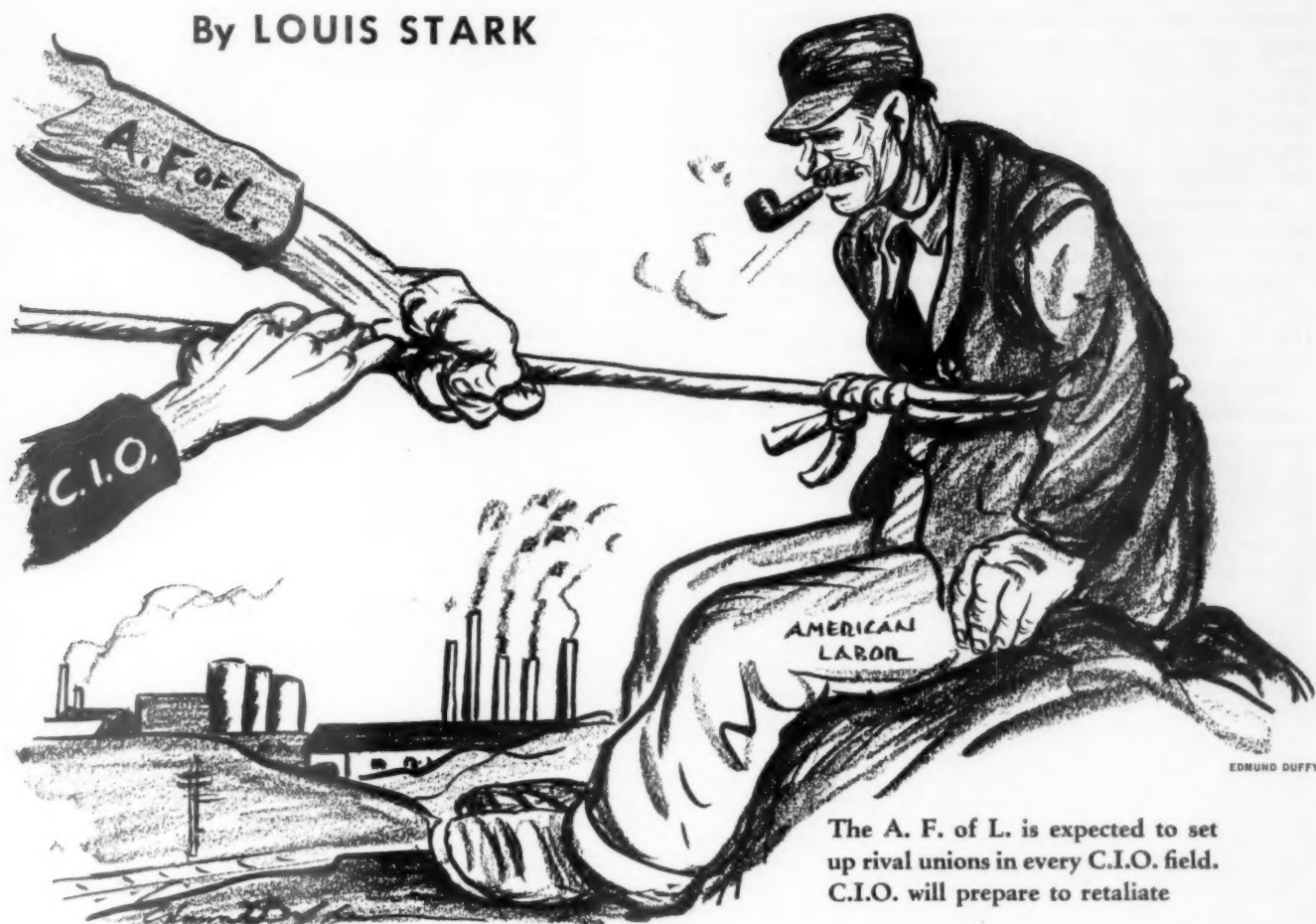
Science tells us that the beehive is the world's most efficient workshop, wherein all things function for the good of the whole. In the well balanced man-made organization of today the Mimeograph is a busy and important worker. Thousands of aggressive institutions are using it not only in their sales and advertising departments, but also in accounting, purchasing, shipping, in laboratories, stockrooms and factories—using it as a most efficient means of coordination and development. The Mimeograph becomes a need of the day through its ability to duplicate all kinds of forms, graphs, line drawings, typing, etc., with utmost rapidity and the least possible trouble and expense. Let us show you how it may help in the greater efficiency of your own organization. Any Mimeograph distributor will gladly demonstrate—an inquiry will bring you pertinent facts. Write A. B. Dick Company, Chicago, or see classified telephone book for local address.

MIMEOGRAPH

Trade Mark of A. B. Dick Company, Chicago
Registered in United States Patent Office

Your Stake in Labor's War

By LOUIS STARK



The A. F. of L. is expected to set up rival unions in every C.I.O. field. C.I.O. will prepare to retaliate

THE titanic and unprecedented war now racking organized labor in the United States is of momentous interest to business men. On its outcome depends much more than dollars and cents on one side of the ledger or the other.

Fundamentally, the conflict is a struggle for power. In the balance lie many of the far-reaching relationships between industry and labor. Victory or defeat for one side or the other will be reflected in every avenue of commercial life, from banking, steel and automobiles down to the corner grocery.

Whether their instinct is to regard the labor war as a "plague o' both your houses" or not, business men will be compelled to acquaint themselves with the main-springs of the struggle because what appears to be merely a fight between rival groups may well have important social and political consequences.

Whether you are a manufacturer, wholesaler, jobber, merchant, storekeeper, banker, doctor or lawyer, you are interested in the transportation of goods. Stoppage of such transport, whether by truck, automobile or ship, is one of the multitudinous questions raised in the labor war. Delay in such transport will seriously affect all business and will indirectly be reflected on the books of doctors, lawyers and others, because the untoward effects of

THE struggle between the A. F. of L. and the C.I.O. will soon be extended to Congress and into politics. No business man can escape the effects of it

creating idleness in industry, like rain, fall alike on innocent and guilty.

Will a minimum wage and maximum hour law affect your business? Then you are "in the middle" in the labor war for this is one of the points of conflict in the inter-necine labor strife.

Are you satisfied with those who represent you in Congress? If you are, the chances will be that the new political movement of labor, an offshoot of the labor war, will oppose your representatives.

As the balance of power in the labor movement remains where it is at present or as it may shift in another direction, so will you, as a business man, be affected.

It all goes back to the ideas in the minds of the men

who founded the American Federation of Labor 56 years ago. At that time, the dominant labor organization was the Knights of Labor. It was an omnium gatherum of all sorts of workmen, skilled, semi-skilled and unskilled, and even included professional men, excluding only saloon-keepers, bankers, and lawyers.

Craft workers left Knights of Labor

THE highly skilled craft workers like printers, cigar-makers and others were dissatisfied with the way the Knights of Labor handled their interests. In the large, heterogeneous organizations called Assemblies, they felt they were lost, that their key positions as artisans who had spent long years in apprenticeship got them nowhere, that they would be better off in separate craft unions where they could bargain directly with their own employers instead of being bargained for by others who did not know their special problems and needs.

As a result of this dissatisfaction, the crafts revolted and set up the American Federation of Labor. In a few years the Knights of Labor disappeared.

Slowly and steadily the American Federation of Labor grew in numbers and influence, its basis of strength being the powerful craft unions in the building, metal and printing trades.

However, while these craft groups were consolidating themselves and cementing their power over the labor movement, industry was changing in many ways. With the turn of the century, mass production came into being, automatic and semi-automatic machinery was introduced. Skills were broken down or subdivided.

When the assembly line and conveyor system were introduced into the automobile and other industries, the men hired to work on the lines and conveyors became "production" workers. Each man did one thing rapidly and particularly well, becoming a specialist in that mi-

nute part of the whole manufacturing process, but he was not an all-round skilled mechanic who could do any kind of job.

The rise of the mass production industries, therefore, confronted the American Federation of Labor with a problem.

How were these new industries to be organized?

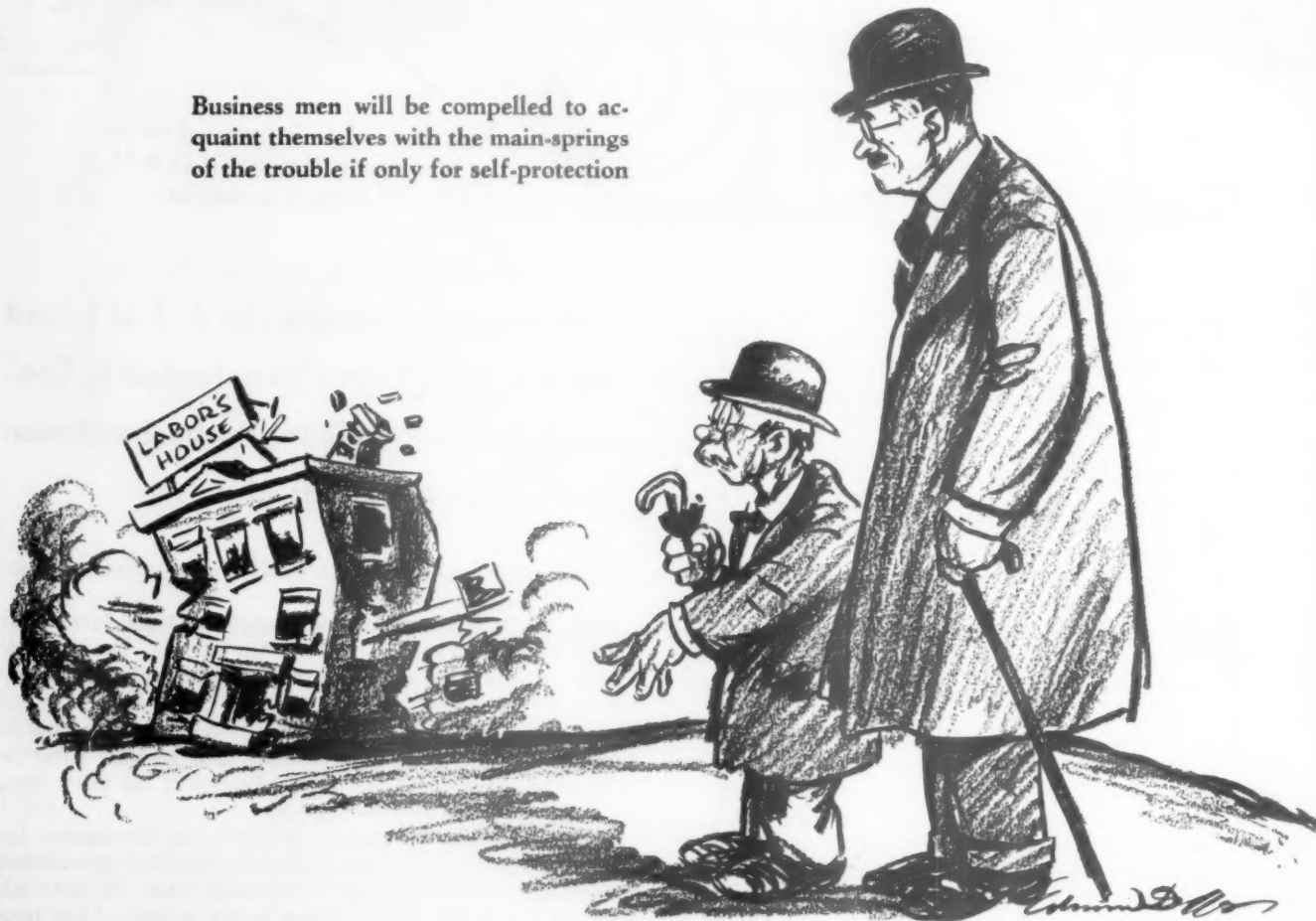
The Federation's policy was, in effect, every craft union for itself. But the new "production" workers had no particular crafts. The problem as to which unions were to take in which groups of workers recurred again and again without solution. This kind of bickering went on when there was talk of organizing the steel industry, the automobile industry, the oil industry. Here and there a voice was lifted suggesting that all workers in the basic and mass production industries be put together into separate unions, one for each industry with local unions based on plants.

The American Federation of Labor already had such a union, the United Mine Workers of America, whose membership covered every one who worked in or about a coal mine, whether he was a coal digger, shot firer, electrician, machinist or carpenter. It also had semi-industrial or amalgamated craft unions like those of the International Ladies Garment Workers which included not only semi-skilled workers, but also highly skilled craftsmen, from pressers, operators and finishers to cutters.

Because the craft unions were unable to sink their jurisdictional differences, little progress was made toward organizing the mass production industries until the creation of the NRA in 1933. With collective bargaining protected by a federal statute, organization in the automobile, rubber, steel, cement and other industries went on apace. But the American Federation of Labor was slow to change its attitude toward the challenge it faced

(Continued on page 82)

Business men will be compelled to acquaint themselves with the main-springs of the trouble if only for self-protection



Ready Cash for Small Concerns

By WILLIAM HURD HILLYER



Selling accounts receivable to a factor frees the owner from credit risks

PUBLIC attention of late has been increasingly focussed on the business known as factoring. This business, as conducted in the United States, now exceeds \$1,000,000,000 in annual volume, according to competent sources, having experienced a steady growth during the depression and recovery periods. It remains, however, a subject comparatively unknown.

In a series of recent editorials, *The Wall Street Journal* has given liberal space to discussions of the part the modern factor is playing in financing and stabilizing moderate-sized manufacturing concerns. One of these editorials quotes a letter which I wrote to the editor of that publication:

Modern factoring, as conducted by a number of long-established houses, principally in New York City, offers to the independent manufacturer a thoroughly practical and conservative method by which he can re-enforce his working funds without creation of debt, division of control, or expansion of capital structure.

The procedure is simple. He sells all of his accounts receivable to the factor, without recourse, as fast as they are created. This puts his business on virtually a cash basis and frees him of all credit risk. It

EXPLANATION of a comparatively unknown method by which the business which is outgrowing its working capital may obtain needed funds without going into debt or sacrificing its present control of operations



EWING GALLOWAY

At the peak of a heavy season, the factor also frequently will advance sums on inventory, or on goods sold but not delivered

provides him with a substantial sum in cash, hitherto tied up in accounts receivable and, what is perhaps even more important, assures him of an unfailing supply of fresh working capital as his business expands.

The *Journal* editor made this comment:

It would appear to be highly probable that the "factoring" method is little known to the managers of many enterprises who would find in it the solution of their major financial problem.

Factoring was, until recently, con-

fined to the textile trades, in which it has been the established procedure for centuries.

Of late, however, it has been made available to a diversity of industries, notably furs, oils, shoes, iron, rubber and metal products. Its growth during the past few years is, no doubt, largely due to the admirable solution which it offers to the small manufacturer, whose problems of working capital and of credit risk are not adequate-

(Continued on page 110)



A 4-H Club member contributes his part to increasing numbers and quality of the sheep population

Fido and Bossy



Although Australia has twice as many sheep as this country, Montana, Idaho and Wyoming are advancing to the stage of a great sheep empire

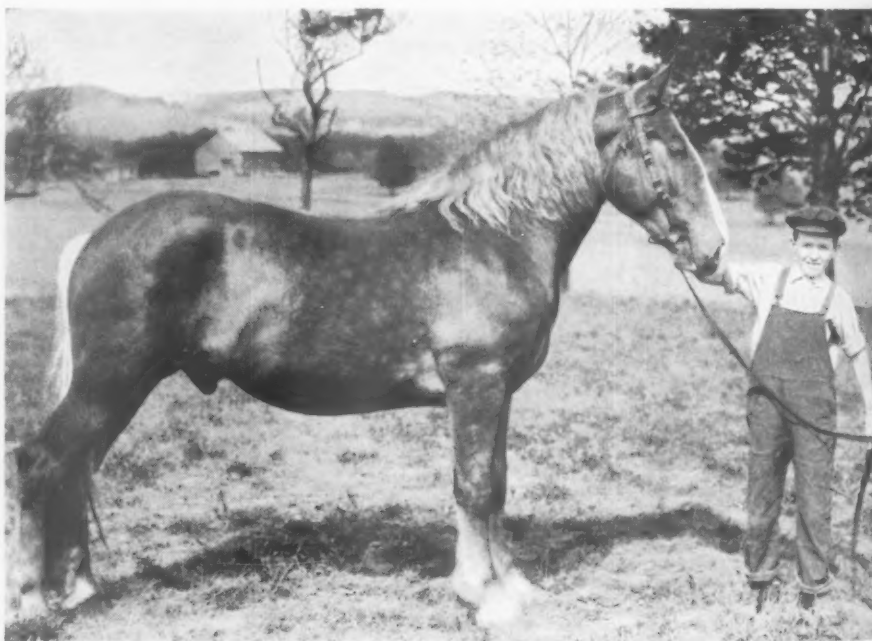
YOU probably remember the old-fashioned road signs which said, "Look Out for Livestock!" These wayside warnings aren't as numerous as they used to be. But the sentiment was never more pertinent or commanding.

Most certainly now is the time to be looking out for livestock. In many ways 1937 was the greatest livestock year in recent history. It was both a harbinger and a proof of the truth that the United States now enters an unprecedented era of interest in the animal, with rising tides of popularity and value for most basic domestic animals, from lap dogs to draft horses.

Roughly 55 per cent of the farm income of this nation is now from animals and fowls. Year after year this percentage is persistently growing. A good many of us may live to see the time when as much as three-fourths of the American farm income is animal income. Today there is no vestige of doubt that animal interest is a nation-wide interest, or that rural America as a whole seems headed toward a new and improved pastoral age.

Today millions of acres of poor field land are on their way toward becoming grazing lands. Great spheres of the cotton-ridden South now look to livestock as their agrarian salvation. Texas retakes her grand old station as home of the beef cattle industry. There is a good chance that much of the neighboring Southwest may shortly become pasture for Texas begotten herds.

Once the greatest of our grain states, Iowa now becomes the greatest of our hog states. The once great cattle empire of Montana, Idaho, and Wyoming is returning to life as a great



U. S. DEPT. OF AGRICULTURE

As interest in pure bred animals has increased, breed record associations have brought greater sanity into the keeping of pedigrees and credentials

sheep empire. As repeated field culture saps the fertility of soil, good farmers of all sections are drawing on livestock as a means of helping save the precious tons of soil chemicals. That is largely why five of every six farm dollars earned in Wisconsin are now

animal or poultry dollars; why an aged state like Vermont now has more milch cows than human beings; why such livestock staples as sheep, milch cows and poultry are increasing at a rate which is now truly impressive.

Incidentally it is worth noticing that

y Open New Markets

By CHARLES MORROW WILSON

the New Deal's soil conservation program is primarily a grass and graze program. As a program it can lead only toward a more distinctly pastoral agriculture. Grass begets livestock and better prosperity—though it comes in spite of, rather than because of, bureaucratic shindigs—sells more livestock products and puts more livestock profits into the farmer's wallet and into legitimate channels of business.

Better farmers raise livestock

THE farmer who raises good livestock is usually a better farmer, buyer, reader and credit risk than the farmer who grows nothing but field crops. Actually, the livestock grower is a manufacturer as well as a farmer. Animals become his productive machines. Hay, grain, and grass are his manufacturing materials. He takes a bushel of corn and a forkful of hay and, by means of livestock, manufactures it into beef, pork, wool or whatever his product may be.

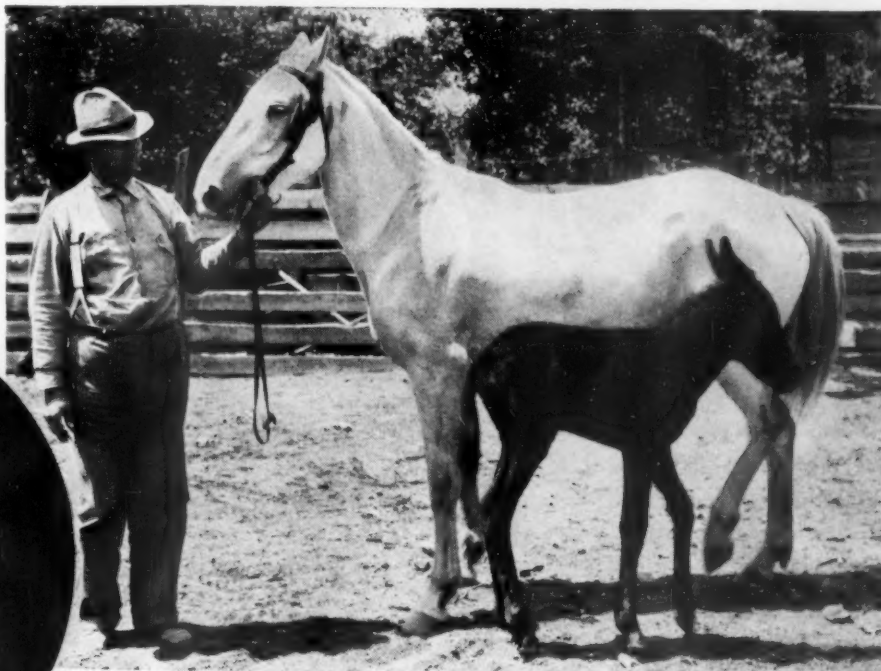
From a business and social standpoint, the fact of his being a manufacturer is tremendously important. It usually means that he keeps better records, has better credit resources and better buying standards than he would otherwise.

He is more of a contemporary business man than his neighbor, the field cropper. For livestock is a perennial, rather than an annual, crop. Its span of production is usually from two to five

AMERICA'S increasing interest in animals promises to support several new industries and give increased impetus to old ones



The farm value of swine has more than doubled since 1932, with Iowa, famous for her grain, now ranking as the greatest hog producing state



U. S. DEPT. OF AGRICULTURE

All stock raising is not for profit, love of animals plays an important part. Pups, like the little fellow on the left, are already responsible for some \$600,000,000 in business annually



H. ARMSTRONG ROBERTS

years. This means a longer tenure of land, a higher percentage of owner-proprietors, bigger and more regular purchases of building and repair materials, feed, machinery, autos, trucks, fencing and hundreds of other great lines of merchandise.

Since the olden prophets counted their wealth in beasts and learned statesmanship and economy from the ways of their flocks, men and nations have been improved by livestock. The progressive American of today, whether in town or in the country, is no longer completely a yeoman or a laborer. He has never been a peasant or a menial.

He remains a creator and a builder. When a man paints a great picture, or writes a great story, or creates a great merchandising enterprise, or establishes an efficient factory he can contemplate his finished work with a glorious and all-rewarding satisfaction. Today millions of Americans are discovering that there is similar satisfaction in working with the intangible pigments of blood, or the miraculous clays of chromosomes to fashion a more perfect animal than has ever walked before.

From a census standpoint, man is now the most numerous and commonplace of all "higher" forms of animal life. According to approximations gathered by the U. S. Department of

Agriculture, there are nearly twice as many people in the world as cattle; four times as many human beings as hogs; almost twice as many people as sheep; more than 50 humans for every horse.

In the United States we have about twice as many people as cattle; about two and a half times as many people as sheep; three times as many people as swine; ten times as many people as horses and perhaps six times as many people as dogs.

A livestock nation

YET today we are the greatest livestock nation in the world. Though Australia has more than twice as many sheep as we have; though China has almost three times as many hogs, and British India about twice as many cattle, U. S. registry, distribution, current values and total current returns from livestock are preeminently world leaders.

In 1937, animal and fowl income to U. S. farms was not much less than \$4,500,000,000. In that year animal properties on U. S. farms gained at least another \$5,000,000,000 in value. In a period of 20 days in July, 1937, market value of cattle, hogs, sheep and swine on American farms gained more than \$750,000,000.

There were never before as many

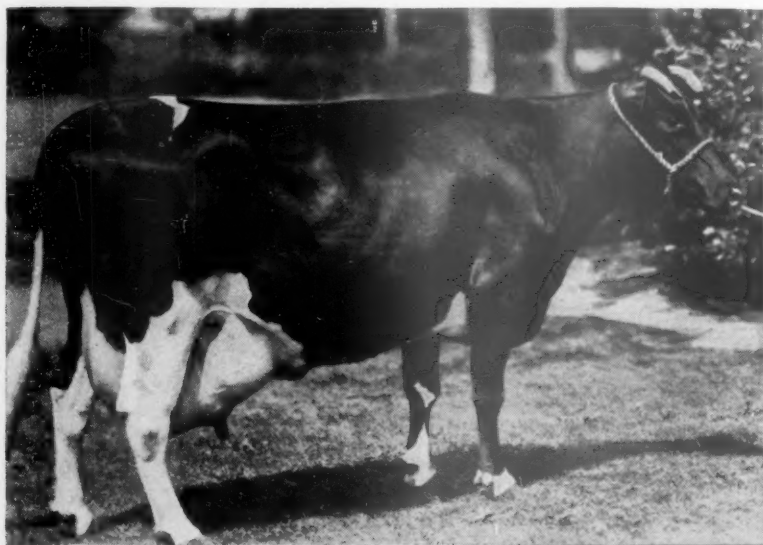
pure bred or registered animals in the United States as there are today. Good sires and dams were never more genuinely revered. Commercially, this is perhaps the most basic and challenging phase of the entire livestock picture.

A pedigree is merely a properly vouched statement of the lineage of a given animal. During the giddy 'twenties a pedigree got to be little more than a job of fancy printing with a gold seal in the corner and maybe a scrap or two of colored ribbon. It was largely an imported credential, since breeds and strains of most domestic livestock and most household pets are of British, Scandinavian, or European origin.

During the heyday of the Insull Empire, pedigreed livestock became a plunging fantasia in inexplicable prices. Those were the days when a Holstein-Friesian calf changed hands for \$100,000; when bulls with lives insured for as much as \$75,000 each were being hired out at rental fees ranging from \$5,000 to \$10,000 a year; when Joe Gossard was selling his Berkshire boars at \$10,000 each. The times were crazy.

Then the inflated, foreign-born pure bred industry collapsed. Today our newer school of pedigrees becomes truly an American institution, stressing tangible and visible results of American breeding and American presence of sires and dams. Particularly in the instances of beef cattle, dairy cattle, sheep and swine, there is now good reason to believe that the pedigree as a semi-racket is finished. Breed records

(Continued on page 87)



The 25,000,000 milch cows on American farms show rising market values and production records

As soil fertility begins to lag, good farms everywhere are turning to herds to augment their incomes





Opponents predict that the availability of the reserve funds will lead to increased government extravagance

What of Social Security's Millions?

By BIRCHARD E. WYATT

ALL OF US contribute to the old-age benefits plan. Here is explained how that money is being used together with arguments pro and con as to the wisdom of that use

ALTHOUGH the financing of the old-age benefits plan established under the Social Security Act has been widely discussed, some of the most vital issues concerning it have been almost entirely neglected. Moreover, the statements both pro and con have been largely one-sided, a fact which has greatly lessened their effectiveness and thus retarded the formulation of definite opinions among those directly affected by the plan.

A thorough grasp of the issues is essential to clear understanding of how the old-age benefits plan works, and hence is basic to any intelligent criticism. Such criticism is greatly needed because a system which calls for the accumulation of a large reserve will certainly not be without tremendously important effects of one kind or another on the economic life of the nation.

The average citizen, perhaps, has little interest in some of the more

technical phases of financing a scheme like that provided in the Social Security Act. He should not, however, neglect to consider the fundamentals. He should try to view the reserve question from the standpoints of both the opposition and the defense. This will enable him to array the facts for himself, decide which ones bulk large and which ones are non-essential, and thus form a clear and unified picture of exactly what is involved in the financing of old-age benefits.

Actuarial reserve

THE Social Security Act provides, in effect, that the financing shall be in accordance with a form of what is known as the actuarial reserve meth-

od. In general, under contributory retirement plans, the benefits paid to any individual are determined in relation to his previous wage earnings. The actuarial reserve method of financing such a plan is, essentially, one under which the amounts of contributions or premiums collected during a given period, such as a year, are calculated to be sufficient, with interest, to cover the costs of all the future benefits which will be payable on account of the total wages earned in that period.

Among alternative methods, the most completely different and, therefore, most useful for purposes of comparison is the current-cost or "pay-as-you-go" method. Characteristic of

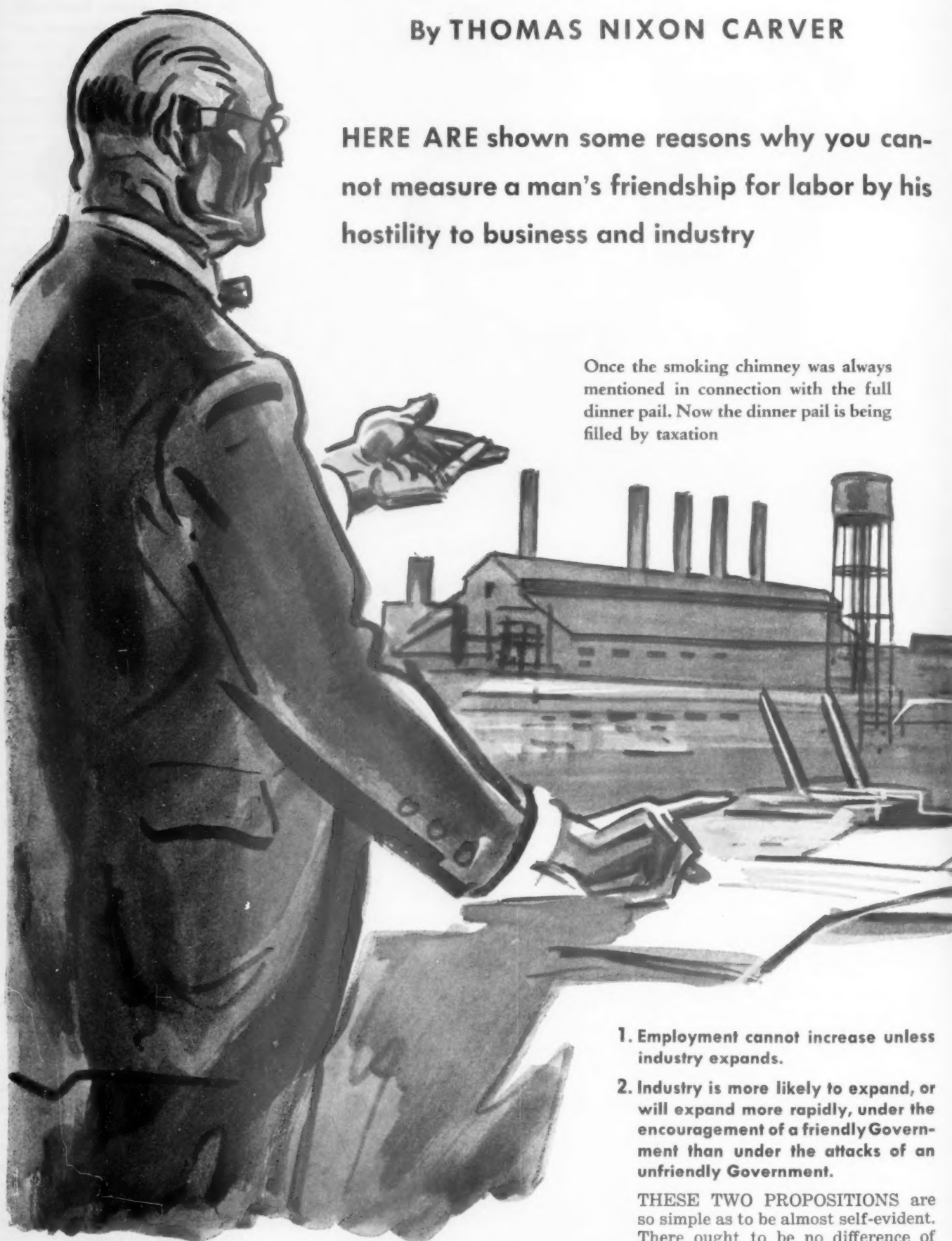
(Continued on page 94)

The Full Dinner Pail—

By THOMAS NIXON CARVER

HERE ARE shown some reasons why you cannot measure a man's friendship for labor by his hostility to business and industry

Once the smoking chimney was always mentioned in connection with the full dinner pail. Now the dinner pail is being filled by taxation



1. Employment cannot increase unless industry expands.
2. Industry is more likely to expand, or will expand more rapidly, under the encouragement of a friendly Government than under the attacks of an unfriendly Government.

THESE TWO PROPOSITIONS are so simple as to be almost self-evident. There ought to be no difference of

and Where it Comes From



O. F. CESARE

opinion about them, and yet they present the most vital issue now before the American people. If the people will accept these propositions, and act upon them, we can expand our industries until the problem will be, not where to find work for our workers, but where to find workers for our work. If our people do not accept these propositions or act upon them, we shall never find work enough for all our workers and industry will have to be taxed more and more to support our increasing numbers.

The more burdens we heap on our overtaxed industries the fewer they

can employ. The fewer they employ the more they will have to be taxed to support the rest, and so on down to perdition. The descent is not only easy but irresistible. It is the only possible outcome of the strange belief that the way to show friendship for labor is to attack its employers, to heap more and more burdens upon them, increase their costs, make it as difficult as possible to pay wages out of the receipts of business and decrease the number who can succeed in running industries.

This strange attitude is not, strictly, a belief at all, but an emotional

reaction inherited from a remote past. During the greater part of the life of man on earth he has had to fight for his existence. His enemies were the kind which had to be killed or thinned out if he was to survive. In this age-long struggle he developed a fighting temper. He could not have survived without it. This fighting temper led him to wage the kind of war which thinned out his enemies. That was sound behavior because in that war the fewer his enemies the better off he was. His behavior had survival value.

In our industrial society an en-

tirely new situation has arisen in which a working man gains in proportion as his so-called "enemies" increase in number. He brings into this conflict the old fighting temper which impelled him to thin out or destroy his enemies. The result is confusion and disaster. His inherited fighting temper leads him to do things which his economic knowledge tells him are injurious to himself.

Fighting at the wrong place

THERE are many illustrations of this conflict between the fighting temper and economic intelligence. There was a time, in the 'seventies and 'eighties of the past century, when the farmers of the Middle West were in desperate need of more capital. They had taken up new land under the homestead law and needed equipment. To buy equipment they needed money, and the only way to get it was to borrow it. But there wasn't enough lendable money to go around. There were many borrowers and few lenders.

The result was high interest rates and rigid contracts. It was a lenders' market. Obviously it would have been better for borrowers if there were more lenders or more money to lend. Economic intelligence would have told them to encourage more eastern lenders to come west, or to send their money. Their fighting temper told them to make war on lenders and make it as hot as possible for them. That tended to discourage lenders, decrease their number, make money harder to get and interest rates higher.

Reasonable regulations, standardization of contracts, and impartial enforcement would have been as much to the advantage of honest lenders as of honest borrowers. But the irate farmers were not content with these.

The relation of working men to their employers is an exact parallel to that of the western borrowers to the eastern lenders. It is obviously to the interest of working men that there should be more employers trying to hire workers. That would increase the demand for labor, increase the number of jobs and, unless the number of workers should increase proportionately, it would raise wages.

Every worker's economic intelligence tells him that it would be wise to encourage more men to become employers and fewer to join the

ranks of job seekers. Every time a young man who might become an employer competing for workers decides to become a worker competing for jobs, conditions are made worse for workers. Every time a young man who might otherwise have become a worker competing for jobs succeeds in becoming an employer competing for workers, conditions are made better for workers.

The worker's economic intelligence would, therefore, lead him to encourage as many young men as could succeed as employers to leave the ranks of the job seekers and to join the ranks of job makers.

His inherited fighting temper, however, especially when inflamed by self-seeking politicians, leads him to do the opposite of what his economic intelligence would approve. If he yields to his fighting temper, he will wage the kind of warfare against employers that will tend to thin them out.

His well-being will depend on whether he is guided by "ancestral voices prophesying war" or economic self-interest counseling peace. In the one case he will wage the kind of warfare which thins out those whom he has been led to call his enemies. In the other case he will try to increase the number of those whose work complements his own work and increases the demand for it.

If the worker is guided by his enlightened self-interest rather than by his inflamed fighting temper, he will see that his well-being depends on such an expansion of industry as will put more goods and new goods within the reach of more people and provide more jobs and new kinds of jobs for more workers. But, if productive industry continues to be ground between the upper and nether millstones of predatory politicians and racketeering labor leaders who try to get what they want by making others afraid to refuse their demands, it cannot expand.

If it cannot expand, it cannot employ any more workers. If it cannot employ more workers, the Government will have to support our increasing numbers on the dole or on make-work projects. In either case it will have to tax industry to pay its bills. If it continues to lay heavier tax burdens on industry—especially if it gives industry less protection from violence in return for the taxes which it collects—it will continue to repress industry. This will make it necessary to support still more people with still higher taxes, and so on from bad to worse.

The end of that process is the destruction of private enterprise, leaving the Government responsible for everybody, which is communism.

When that comes, instead of immigration laws to keep other people out of this country, we shall have to have barbed wire fences and border patrols to keep our own people in.

No stopping point

THERE is no halfway house at which we can stop in this downward course. If the Government decides to enter the industrial field where private enterprise has been functioning, it cannot increase employment unless it takes over the whole field. This conclusion rests on two other propositions, almost as simple as the two with which we started.

1. If the Government produces something that private enterprise is already producing, the public will get no new product and workers will get no new jobs.

The competition of the
(Continued on page 99)

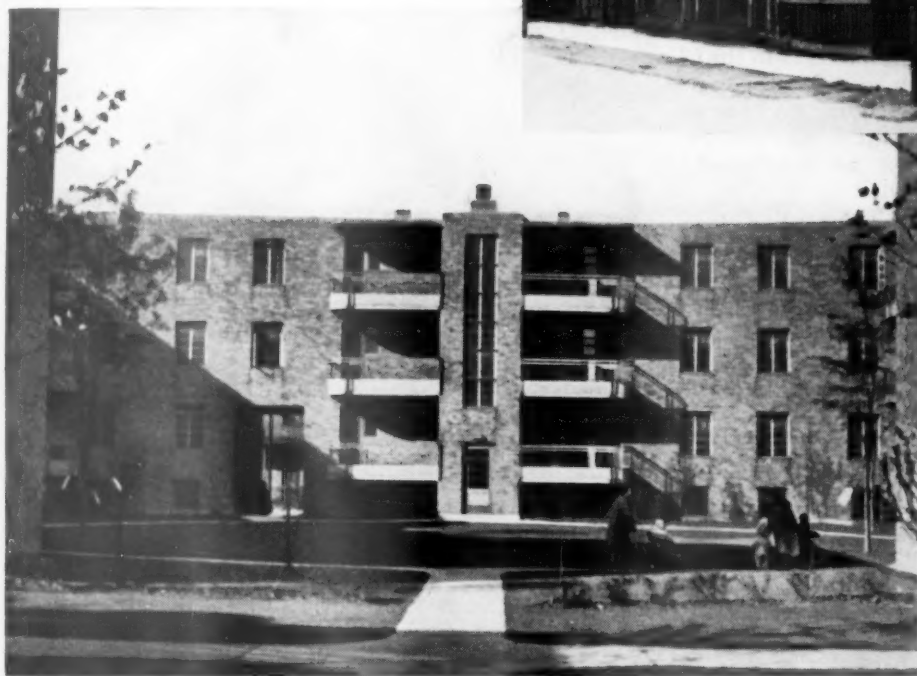


Smoke is not made to issue from the chimneys by making costs of operation harder to pay

It Is Not Low Cost Housing

By FREDERICK A. VAN FLEET

NOW THAT Government building projects have reached the point where tenants are being selected, it is plain that, whatever the advantages, slum clearance has not been gained



Two views of East Twenty-fourth Street, Cleveland, showing the change wrought by the government housing project. Aesthetically, the plan is a success

ALL PHOTOS BY CARTER

IF YOU are a workingman with a job where you make enough money (but not too much), if you have a family which is large enough (but not too large), if you pay your bills and can give good character references and if you are now living in a sub-standard dwelling you may be eligible to rent an apartment from the federal Government in one of its new housing projects. But you will have to agree to leave Towser and Tabby behind, because four-footed pets are not wanted.

This is the situation as the Government goes into the business of being a landlord on a large scale. For some

years Government has been in the residential building business although nobody, including those who have had charge of the far flung activities, has been able to say definitely what was being built. It has been apparent to all that living quarters for people were under way but, until policies for renting were formulated, nobody could say whether the vast building projects were slum clearance, low cost housing or subsidized housing for certain income groups.

There is no criticism intended in that statement. Definite purposes could hardly have been expected, the way

we went into the thing. Housing is a new venture for this country. Its initial authorization came about when those who believed Government should create housing as a social measure were able to take advantage of the need for producing employment to spur Congress to action. It was the "make work" plea which started the Government buying land and letting building contracts right and left, with no clear idea of what would be done with the resulting housing except that somebody would live in it.

Complicating the Government's entry into this entirely new activity was the fact that it entered, not on one front, but on many. Any two or three of the projects undertaken would have produced plenty of problems, but when 40 or 50 were put on the fire at once it is only to be expected that those in charge would be more concerned with what they were building than with its social significance.

Now that projects in various parts of the country are being completed and opened for occupancy, however, it is possible to classify them correctly, be-

cause their place in the scheme of things is fixed by the use to which they are put. It is the tenants and their terms of occupancy that tell us whether we have been engaged in slum clearance, low cost housing or subsidized housing for some special group.

Two Cleveland projects were among the first to be opened for leasing and occupancy. Inasmuch as the Federal Emergency Administration of Public Works declared them to be "outstanding on the PWA slum-clearance program" they should provide a fair measuring stick for the program. Analysis of these two projects shows conclusively that:

They are not slum clearance.

They are not low cost housing.

There can be no argument over the statement that slum clearance consists of razing slum buildings and substituting better living quarters for the displaced slum dwellers. Razing slum buildings is only part of slum clearance. If the slum dwellers are merely scattered, as happened in these projects, the social gain is at best only partial and there may be no gain at all. Solidifying other slums does not help anybody.

Neither should there be any great argument over what constitutes low cost housing. That is a matter of dollars and cents. Cedar-Central, best known of these two Cleveland projects, was said in a PWA press release to have cost \$3,454,000 and to provide 650 family units, ranging from three

to five rooms. That means an average of more than \$5,300 per unit of four rooms, the original plans having called for 2,312 rooms.

Outhwaite is announced to have cost \$3,600,000 for 579 family units, an average of approximately \$6,200 per unit of four rooms. Two-family houses of five-room units in good residence neighborhoods in Cleveland are offered at no higher price than that. They are not new nor ornate, but they are entirely modern, usually have some private ground and have no stigma of slum location. Even on new construction in a period of rising prices it would take a good deal of imagination to call \$5,300 to \$6,200 per four-family unit low cost construction.

A slum area cleared up

THE Government's housing ventures have generally been regarded as slum clearance, and the PWA refers to the two Cleveland projects as part of the slum clearance program. To see what there is to this slum clearance idea, the Cleveland Cedar-Central project is an ideal subject for analysis because we have not only the completed project to study but, thanks to the Cleveland Real Property Inventory, we have accurate information on the demolished slum.

The area clear-

ed for this project was undoubtedly a slum, and a bad one. Its buildings were mostly dilapidated, it had no more sanitation than a vigilant police force compelled and there were few conveniences. Originally a mixed residence neighborhood, it had been engulfed in the growth of a large city and had gone down and down until having it wiped out was at least a great physical improvement.

Of the rental apartments in the district, exactly half had rented for less than \$5 a room per month and the rest for not a great deal more. Stoves provided the only heat in most of the dwellings and the tenants usually scavenged their fuel wherever they could find it.

On this site has been built a fine modern group of brick and concrete buildings, with electric lights, bathrooms, heat, hot water, garbage disposal systems, laundries and electric refrigerators. But none of the former slum dwellers can afford to live there. Base rentals start at a minimum of about \$6 a room per month to which must be added a compulsory charge for



Fringing the modern areas, the slum area stubbornly resists the march of progress. Slum dwellers cannot afford the new housing



The kitchens, though not ornate, are modern and convenient

utilities (heat, hot water and electric current) which ranges from \$5.35 to \$8 a month depending on the size of the apartment. Thus a three-room apartment at Cedar-Central will cost on the average \$18.44 a month base rental and at least \$5.35 for utilities, or about \$8 a room per month.

Exact figures are not given because the rents vary according to the location and advantages of each apartment. Some have rooms slightly larger than others, some have porches, and so on.

Rent alone would keep most of the
(Continued on page 89)

A Simplified Income Tax Schedule

By IRVING FISHER

A TAX EXPERT suggests a whole new start, rather than an effort to patch up our already complicated system of figuring and collecting revenue

OUR federal income tax has long been a source of trouble, both to the Government and to the people. The capital-gain feature is said to be responsible for more than 90 per cent of the litigation; but the entire law is unsystematic.

Now comes Congress with a labored attempt, *not* to reorganize the whole wretched system, but to plug up in a miscellaneous way certain loopholes through which some of the rich have escaped. The result threatens to be a hopeless piece of ungainly patchwork.

What we need is a fresh start. We should go back to first principles. That is, first of all, we must agree as to what is income and what is not. John Smith is often taxed on what the law calls income, but what he feels is no income at all. On the other hand, there are clear cases of income which escape taxation altogether for want of a sound definition.

The only concept of income which would at once clarify this situation, without eventually contradicting itself when applied to all situations in life, is the service-concept. According to this, John Smith's income consists of the value of the *services rendered to him*. Such services include not only money receipts for work or from investments, but also services in kind, which, though not in the form of money payments, may be measured in terms of money.

In primitive times all income consisted of services in kind. There was no money. A man's hut was a source of income because it rendered him the service of shelter. His spear and arrows rendered him the service of protection from wild animals and of obtaining food. His purpose in taming work animals was that they might render him the service of their work.

In our modern economy we have these same services and much besides, including payments of money.

John Smith's dwelling renders a service of shelter to him and his family. If he owns another house and rents it, its services to him consist of the rent payments he receives. If he has a bond or a share of stock, it, too, renders the service of bringing in money.

All service-givers, whether primitive or modern, may be called "assets"; and any asset may be said to render a service when, through it, something desirable happens or something undesirable is prevented from happening.

Consider negative services

ASSETS may also render disservices—that is, negative services. For instance, if the dwelling has a leaky roof, the cost or trouble of repairing it is a disservice, or negative service, occasioned by that asset. Such also

are the rent-collector's fees, the taxes, the insurance, and many similar items of expense or inconvenience. To compute the *net* income from any asset, we simply deduct the value of its disservices from the value of its services.

John Smith himself may also be a source of service—work. Thus, the term "service" includes services of persons and services (more commonly called uses) of things; as well as services of persons and things jointly, as when a railway train and its crew join in transporting freight and passengers.

The taxable value of John Smith's income should be the net value of the services which he receives from all sources, including himself. A convenient classification of such sources would be:

1. Himself as an earner of money.
2. His investments as earners of money.
3. His cash assets.
4. His goods for personal use, yielding uses but costing money.

As to the personal-use items—shelter from the dwelling, "wear" from the wardrobe, food from the larder, and so on—no tax assessor or appraiser should be expected in-

EXAMPLE 1 • Simplest Case

	Credits	Debits	NET INCOME (credits less debits)
1. Income from Work \$12,000	\$17,000a	000	\$17,000
2. Income from Investments 5,000			
3. Income from Cash	17,000b	17,000a	000
4. Income from Personal-use goods	17,000	17,000b	000
TOTAL NET INCOME			\$17,000

EXAMPLE 2 • Cash Used

	Credits	Debits	NET INCOME
1. Work	\$17,000a	000	\$17,000
2. Investments			
3. Cash	18,000b	17,000a	1,000
4. Personal	18,000	18,000b	000
TOTAL NET INCOME			\$18,000

EXAMPLE 3 • Cash Saved

		Credits	Debits	NET INCOME
1. Work	\$12,000	\$17,000a	000	\$+17,000
2. Investments	5,000			
3. Cash		11,000b	17,000a	-6,000
4. Personal		11,000	11,000b	000
TOTAL NET INCOME				\$+11,000

EXAMPLE 4 • Savings Reinvested

		Credits	Debits	NET INCOME
1. Work	\$12,000	\$17,000a	\$6,000c	\$11,000
2. Investments	5,000			
3. Cash		{ 11,000b }	17,000a	000
		{ 6,000c }		
4. Personal		11,000	11,000b	000
TOTAL NET INCOME				\$11,000

dependently to measure their value in money. The only practical way to measure them is by the money paid for them by John Smith himself.

We must, therefore, assume that the money spent by John Smith for personal-use items is a fair measure of the value of the personal uses. If he pays 50 cents to see a motion picture show, we may assume that the show is worth to him that 50 cents today. If he pays \$50 for a suit of clothes, we may assume that the wear he will get out of that suit is worth to him the \$50.

Payments will balance services

THERE is, it is true, a slight difficulty here in the time element. The clothes are bought today but their uses may be spread over several years. To an even greater degree this is true of an automobile, and most of all is it true of a dwelling, the most conspicuous case of a durable personal-use article. In all these cases, the purchase price is, in the last analysis, a pre-payment for future services. Consequently it is to be presumed that those services are worth the pre-payment with interest. That is, the pre-payment is the discounted value of the future services. The result is that sometimes we pay this year more than for this year's uses. Sometimes we pay less, as when a house is already owned and fully paid for.

Nevertheless, this time element occasions less trouble than might be supposed. There is usually an approximate equality between the total money actually spent for personal-use goods in the course of the taxable year and the total personal uses

actually enjoyed in that same year. In other words, the discrepancy between the *value* of personal uses and the *cost* of them in a given year is almost always, even in the case of a house, very small in relation to the year's total spendings for all personal uses and personal-use goods. In this article, therefore, we will assume that this discrepancy is so near zero as not to be worth estimating.¹

Thus we have left, in our original classification of John Smith's assets, only three sources of service or income which need be recorded. These three items are:

1. Himself.
2. His investments.
3. His cash.

The services, positive and negative, rendered by these three sources consist of *money payments and nothing else*. They involve no items requiring appraisals and, in consequence, likely to cause disputes.

Let us now consider these three sources as to their services less their disservices, that is, as to the credits less the debits ascribable to them.

Contrary to the present practice, the service items of asset No. 2 (investments) should include, on the credit side, not only the dividends, the interest, and receipts from rents and royalties, but *all* receipts whatever, even from the sale of securities. On the debit side they should include not only the ordinary costs of business but *all* costs whatever, even of the purchase of securities. John Smith's liabilities—his negative as-

¹In an article on "A Practical Income Tax Schedule" in the July 1937 issue of *The Tax Magazine* the writer has outlined a method by which this small discrepancy may be estimated and, if desired, included in the tax schedule. The present article in disregarding this "use-cost discrepancy," greatly simplifies the practical application of the proposal. Several tax experts have urged me to make this simplification.

sets—also should be credited with *all* money receipts from them including the money borrowed, and debited with *all* money paid out on their account, including payments of principal² as well as interest.

We come finally to John Smith's cash box. Under the service-concept, this is like a gold mine, to be credited with all the money taken out of it and debited with all the money put into it.

A simple income statement

LET us now set up a theoretical income statement (Example 1) to show how this system would work. For completeness and for clearness of exposition, the fourth category (personal-use assets) is included, despite our assumption that there will be no discrepancy between its credits and debits, that is, that its net income is zero.

In this first example, John Smith's income during a given year consists of (1) \$12,000 received from his work; (2) \$5,000 from his investments; (3) zero from cash; (4) zero from his personal-use assets (after deducting the spendings on them). The first two items are combined to make \$17,000 in the credits column.

Example No. 1 is the simplest possible because one figure, \$17,000, is the same in five different bookkeeping items namely: (1) (as just noted) income from work and investments; (2) what goes into cash—its debits; (3) what comes out of cash—its credits; (4) spendings, or the cost of all personal uses; (5) the value of said personal uses.

We note that the \$17,000 credited to *Work* and *Investments*, as being yielded by them, is at the very same moment debited to *Cash*, as being absorbed by it. That is why these equal and opposite items are both labelled with the same letter (a).

Similarly the \$17,000 credited to *Cash*, as being yielded by that asset is, at the very same moment, debited to *Personal-Use Goods*, as being spent on account of these assets. That is why these equal and opposite items are both labelled with the same letter (b).

In Example 2 the income from work and investments is the same as before—\$17,000. But John Smith uses cash to the extent of \$18,000, which is \$1,000 more than he puts into cash. He thus uses up \$1,000 from pre-existing cash.

His *total net income* in the sense of total net credits and debits, becomes,

(Continued on page 102)

²Under the service-concept the usual "spreading" devices for these large items are, as we shall see, practically unnecessary if the credits and debits to "cash" are duly taken into account. They would be absolutely unnecessary if the use-cost discrepancy were reckoned.

Older Men in the Steel Mills

By FRANK PURNELL

I HAVE never been able to understand why so many persons seem to regard the steel industry as a business which sucks out the strength and vitality of its workers and then casts them off on the scrap heap. As a matter of plain fact exactly the opposite is true. The steel industry has an enviable record in the matter of keeping its workers on the job without regard to their age.

It is my belief that executives of the principal steel companies know and follow just one rule with regard to their permanent employees and that is the rule that what a man can give to the job is the only factor in determining whether he shall stay on that job. What he can give to the job does not depend on his age any more than it depends on the color of his hair or the place of his birth. It does not depend to any great extent on pure muscular strength either.

Of course, the man who goes to work in a steel mill must have a certain degree of physical fitness. Any man who works with his hands in any sort of industry must have that. But the steel worker does not have to be any sort of a professional strong man. What is more important is that he have sufficient mental alertness to acquire a working technical knowledge of the materials and machines used in his work. The longer he works with steel, the greater his store of technical knowledge becomes and the greater his manual dexterity at the tasks he performs.

There is an old and homely saying about letting your head save your hands and it applies in the steel mill possibly better than anywhere else. The veteran of 55 or 60 who has worked with steel all his life might



Mr. Purnell turns candy salesman at a charity show, collected \$35, the record

AN EXECUTIVE who came up from the ranks replies to the oft-repeated charges that his industry has no use for workers whose youth is gone

not win any competition with the younger fellows in a test of pure physical strength, but when experience gives him the instinct for doing the right thing at the right time he will do his effective share of production work alongside men half his age. That is the reason he stays on his job despite advancing age.

During the infancy of steel manufacture, there may have been a time when the work was so hot and heavy that steel workers would burn out their strength in a few years. If there were such days they were before my

time in the industry, because men who were beginners when I was are still actively employed in our mills every day and doing their full share of productive work. But the trend of mechanical development has been to lighten the physical labor of steel making.

Machinery helps workers

MANY of the mechanical devices which have been introduced in the industry have been criticized by the theorists as devices to take jobs away from men, although their actual effect has been to enhance quality, increase production and open new markets so that it has been possible to employ more and more men at higher and higher hourly wage rates and weekly and yearly earnings.

Furthermore, with modern equipment, less physical effort is required in steel making. This makes it possible today for older men to handle production of a type which in the old days only younger men could perform and, therefore, promotes continuity of employment.

None of these mechanical devices has been more than semi-automatic. Their primary function has been to let power perform the heavier jobs under the direction of men. Much of the uncertainty of quality due to the limitations of human strength has been removed but the guiding hand and experienced brain have remained necessary.

A great part of the work in the modern steel mill requires less pure physical exertion than it once did but knowledge and dexterity are more necessary.

There is doubtless a disposition among some industrial employers to discharge the older men and keep

down the average age of the workers. How wise such a policy may be in industries other than steel I cannot say. I have been a steel man all my life and my father was a steel man before I was born.

What I say about employment policies in the steel business may apply to other industries in which I have had no practical experience but, if it does, somebody else will have to make the application.

All industrial employment necessarily depends upon the possibility of production at a cost which will permit a profit and there can be no continuous operation or employment without production at a profit. Perhaps that sounds hard and cold but it is only ordinary common sense because, if production is not accomplished at a profit, there will be no production at all and no employment to call for an employment policy. In

New York a few years ago a play was produced for some months with admission entirely free because a wealthy man was so impressed by the lesson it taught that he was willing to produce it without profit.

Nobody has ever come along who wanted to demonstrate his faith in steel that way.

The values of employees

SINCE all employment and employment policies must be based on a single factor, the question of whether the policy of any large employer is what has come in recent years to be called a "humanitarian" policy depends entirely on that employer's understanding of the conditions which influence productive labor.

Figures on a production sheet do not tell the whole story. They can only show what happened—not why

it happened. When the executive goes deep enough to consider the why's as well as the what's, then his employment policy is likely to work out all right.

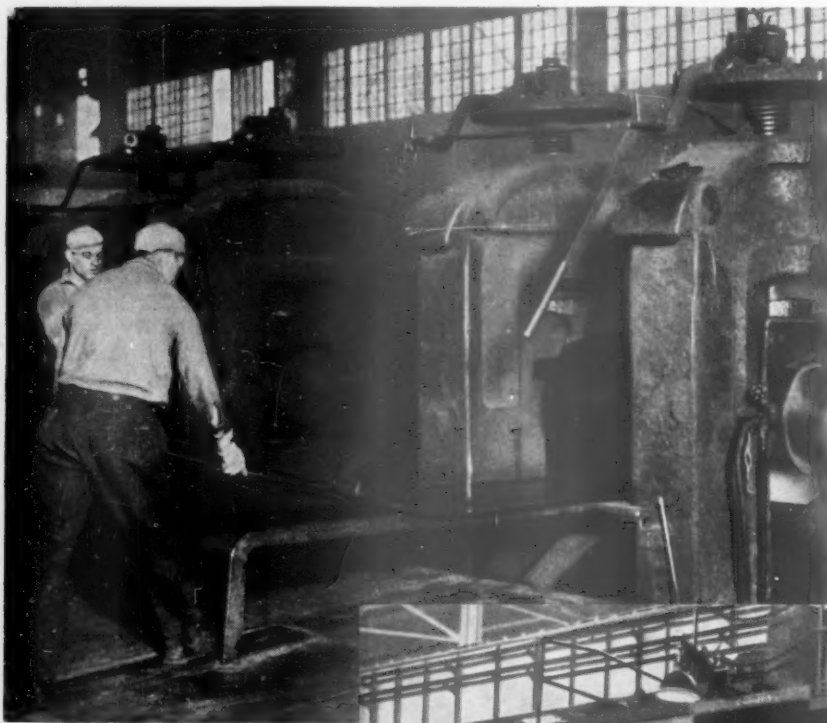
Two principal factors determine the efficiency of any worker. One is the simple matter of his ability to perform his job. This involves good health, manual dexterity, mental alertness and the working technical knowledge which comes with experience.

Age does not enter into any of these to any considerable extent. Health depends on how well a man takes care of such physical qualities as he has. Mental alertness to the degree his job requires is necessary in young and old alike. Manual dexterity and a working technical knowledge come with experience. The greater these last two become, the more they take the place of mere muscular strength. It is often true that the older man, because of what he knows, is actually a better worker than his younger fellows who are much better physical specimens.

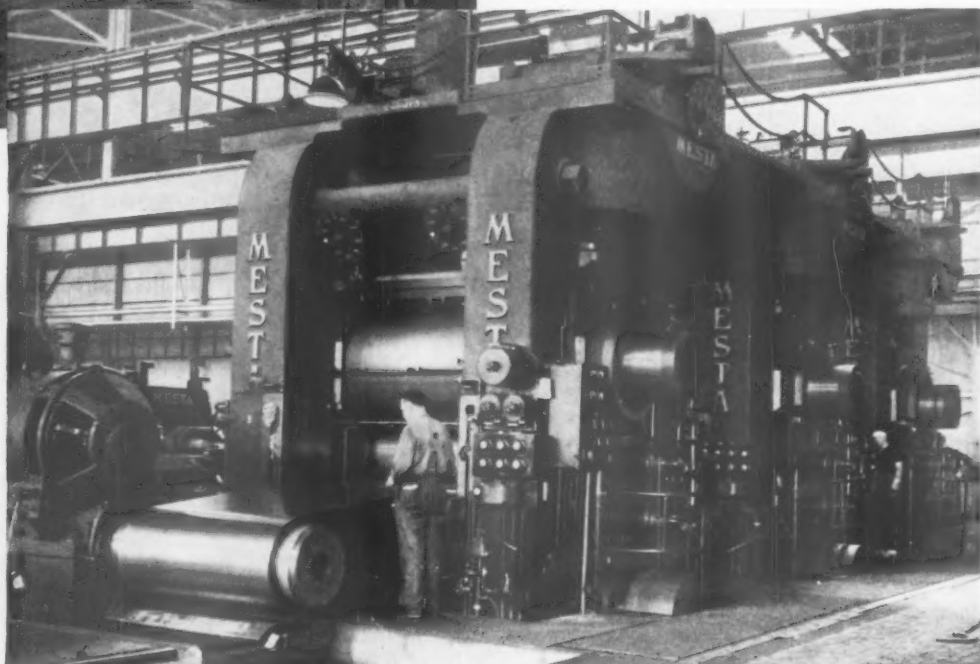
Psychological values

THE other factor which determines the value of a worker is psychological. A man must be reasonably contented at his work. He must believe in it. He must take pride in his own share of it. It must represent to him his share in the world's accomplishments. No merely mechanical worker can compare with the one who feels that he is a part of a business which he regards as the greatest business in the world.

Age enters largely into this psychological factor. The greatest de-



The sheet mill, old style, required physical strength of its workers



In the modern continuous cold mill, machines do the heavy labor



Still going strong after a total of 154 years with Youngstown Sheet and Tube: John Forester, 64; William Shaffer, 58; Dominic Gillette, 51; Tony Ortenzo, 52; R. J. Banner, 68

stroyer of efficiency is worry, and the greatest cause for worry for any man is security for the future. The mill laborer whose most important task is pushing a wheelbarrow is as vitally concerned over his ability to feed and clothe his youngsters and keep them in school as the president of the company can be over any of his family or personal problems.

You cannot expect any man to give his best to a job if he knows that each passing year is bringing him closer to the time when he may be pushed aside for a younger man. Such an overhanging load of fear will offset any special abilities which years of service may have given him. Elimination of that fear might be called humanitarianism but it might better be called just common sense.

At this writing The Youngstown Sheet and Tube Company has on its pay rolls 23,648 employees. Of these, 91 are more than 70 years old; 254 are between 65 and 70; 471 are between 60 and 65. The average age of our employees is 36.9. Two hundred and fifty-six have been with the company more than 30 years; 667 have been with the company between 25 and 30 years, and 1,011 have been with the company between 20 and 25 years. The average length of continuous service of all our employees is 8.1 years.

Naturally what is said about experience adding to a man's value to such an extent as to offset a decrease in physical strength applies to a greater degree to the man who continues to work in the mill or plant where that experience was obtained

than it does to the floater. Mill and shop practices are never quite the same.

Whether or not our practices are better than those of other companies is irrelevant to this discussion. We think they are the best for us or we would not use them. It follows that we are much more concerned with keeping at work the men who have grown up in our plants and are experienced in our ways than we would be in taking on men who have grown up in other mills and are at loose ends for reasons with which we are not familiar. What we like to do is to take on young men and see to it that, with the years, they gain the skill and experience which will warrant us in continuing to keep them in our employ as the years go on.

It is not at all strange that the steel industry should be one in which there is no policy of pushing the older worker to one side because so many of the principal executives in the industry are men who have themselves been steel workers. When you have worked beside a group of men you do not easily come to regard them as mere clock numbers.

Steel executives worked up

INQUIRY by the American Iron & Steel Institute a few years ago developed the fact that nine out of every ten steel executives, including chairmen, presidents and vice presidents of companies representing more than 95 per cent of the industry had started at the bottom of the ladder and worked up to their pres-

ent positions. Three out of every four had spent their whole business lives in steel and half of them had come to the top in the companies in which they first started.

That explains a great many things. The executive who has worked in the mill (practically three out of four of the executives on the list had actually helped to make steel) knows something of the problems of the men who are still making it. He knows how much it will benefit everybody if the company will do all it possibly can to help meet their problems. In this I speak from experience.

To suggest that getting along with the men who do the productive work is something different from getting along with the rest of the human beings who make up an organization would imply that they are different from the rest and that I do not believe. We are all just human folks, making our way along in this world to the best of our abilities, each one of us trying to get out of life all that our natural endowment, educational advantages, efforts and opportunities permit, and I believe the executive who keeps this in mind gets the best cooperation from employees.

It seems to me that the greatest source of satisfaction to any of us must be that we are an efficient part of a great industry which is vitally important to progress and human advancement. To destroy that basis of contentment by an arbitrary rule that a man could not continue to work as long as he is able to do his part would seem neither just nor wise.



KAUFMANN-FABRY

Laurens Hammond and his electric organ. Its cost approximates that of a fine piano

THE music business which all but sank out of sight during depression years has come back.

Take pianos: From a peak of 343,000 pianos in 1923, production dropped to 27,274 units in 1932. In 1936, production had risen to 90,358 instruments. The only reason the figure didn't pass 100,000 was that the factories couldn't turn them out. There are only 35 piano factories in the country today as against 143 in 1925.

One of the white hopes of the music business is a man who doesn't play a note—Laurens Hammond, inventor of the electric organ. The Hammond organ is not a reproducing instrument, but creates tones by electrical impulses. Hammond invented the electric clock which bears his name and which operates by a synchronous motor. This motor always revolves at the same speed. Since any note in the musical scale represents a fixed number of vibrations per second—as, for example, the A of international pitch, 440 vibrations—why not incite these tones with absolute fidelity of pitch, by electrical impulses? That is the question Hammond asked himself, and he answered it with the organ.

The organ is really an extraordinary instrument, not only musically but mechanically. Some of its notable features are:

It is as simple to install as a radio. Simply connect it with any electric light outlet.

Its speed of action is the speed of light.

The tonal pitch is perfect and cannot vary.

Humidity and temperature do not affect it. It cannot get out of tune.

It consumes current at the average rate of one cent an hour.

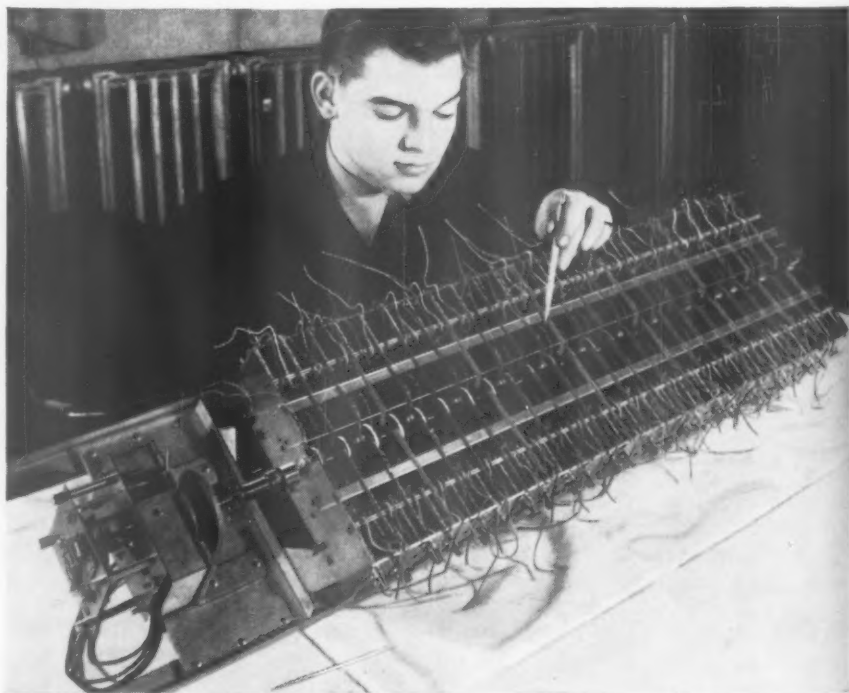
More than 253,000,000 tones are available.

A dynamic range three times that of other organs.

Its volume is unlimited. By adding more sound cabinets the volume can be extended indefinitely.



Paul Whiteman at the console. Many artists have one in their own home



PHOTOGRAPHIC ILLUSTRATIONS, INC.

The tone wheel assembly of the electric organ. There are 91 tone wheels operating from a shaft driven by a synchronous motor

Electricity Makes

It is the organ's capacity for creating new and exotic tone colors which occasioned such a furore in the musical world. Leopold Stokowski, among the first to see it, exclaimed that, with four of these organs, he could stage a concert of symphonic proportions. The late George Gershwin bought the first organ made, and other composers, Sigmund Romberg, Kurt Weill, Otto Harbach, followed suit. They are standard equipment now with broadcasting stations and motion picture studios.

During the past year and a half, more than a thousand churches have installed Hammond organs, and an equal number have been sold to private homes. Demand so far outran supply last Christmas time that the factory in Chicago fell six weeks behind. A large new unit has just been added at a cost of \$100,000, by the purchase of an additional plant for the manufacture of woodwork cases.

F. H. Redmond, vice president and general manager of the company, said: "The great im-

es the Family Organ "Hum"

mediate demand for these organs has made it necessary for the company to enter the woodworking field if, in the face of rising costs, we are to succeed in keeping the price of the instrument at its present low figure."

That figure is \$1,275 for the smaller model.

Like most inventive geniuses, Laurens Hammond is an indefatigable worker. He is extremely facile with his hands, probably an hereditary trait, for his father, a Chicago banker, was ambidextrous and could write a letter with either hand while he dictated a third.

Motors and clocks before organs

HIS first job on returning from the World War was with the Gray Motor Company, where he helped to design and build their first car. Later he became enamoured of the Diesel engine and, building a car, demonstrated the practicability of this engine for motor cars by driving it round to all the leading motor manufacturers, but no sale.

Next he developed a stereoscopic or three-dimensional projector for movies, but they had not yet progressed as far as sound and felt that two dimensions were good enough.

His first big year in the clock busi-

ness was 1929 when Hammond clocks swept the country. His simplified mechanism made mass production methods possible and other manufacturers of electric clocks pay him royalties yearly for the privilege of using his patent devices. Postal Telegraph is his best customer, as he supplies all the clocks which they display in their stations and also lease to their customers.

One of his inventions was an electric bridge table which shuffles and deals the cards at the press of a button. Some thousands were sold at prices ranging from \$25 to \$42.50. But one factor had been overlooked, namely, bridge players need to draw their

breath between hands. The automatic table made the game too fast.

His organ promises to revive the popularity of this instrument in the home. Time was when no American parlor was complete unless graced by a cottage organ or harmonium. It took years of persistent foot-in-the-door selling by piano vendors to wean the public away from the organ. Patiently the salesmen had to point out that the harmonium was only a weak imitation of a real pipe organ. But now comes the Hammond with a greater tonal range than most cathedral organs, instantaneous action, and perfect pitch—all in a space smaller than a baby grand piano.



Tone wheel, magnet and coil show principle of sound production

PHOTOGRAPHIC ILLUSTRATIONS, INC.



This instrument has a greater volume than a cathedral organ, yet by employing earphones, only the player can hear

One other quality it has which will certainly endear it to the neighbors. You can play it as softly or as loudly as you please. And the organist, at his option or by request, can don a pair of earphones, cut out the sound cabinet, and hear every note he is playing without a cheep percolating to the outer world. Schools are showing a lively interest in this feature, for it enables music students to practice without disturbing the studies of the rest of the school. If you have ever lived in proximity to a music school or a budding Vladimir Horowitz, you will award the golden apple to any man who can make practice painless by making it inaudible.

—PAUL DAVIS

The Birth of a City Budget

By C. A. CROSSER

SOME READERS will regard this story as humorous and far-fetched. Others, who have played the rôle of the taxpayers mentioned in it, will know that it isn't

ALL THE average citizen-taxpayer knows concerning the annual budget of his city, school or county, is what he reads in the newspapers.

He follows the life story of the annual budgets in newspaper headlines such as these: "City Boosts Budget," next, "Taxpayers Protest Budget Hike," then, "Council Overrules Protests, Approves Boosted Budget," and at the end of the year, "City Ends Year With Huge Deficit."

The taxpayer reads this terse life story, if he doesn't skip it, with superb detached indifference as though he were reading about the war in China, even though it is his own money which is involved. But what a pitiful howl when he gets his next tax bill.

Suppose we peer behind the headlines and more closely



He sits down in an outburst of catcalls and boos from the municipal employees and their relatives



The councilmen avert their eyes from the budget as from a disreputable former chum whom they might meet on the street

regard the natal pangs of our city budget. This important civic procedure is repeated every year in most every American community. But, though it is tied to the individual prosperity of each homeowner, it is less known to the citizen aware than the details of the Coronation of George VI.

The first act of this drama transpires behind the public scene and never reaches the newspapers. The actors are the strongly organized groups of city, county or school employees. The audience is a select group composed of apprehensive but ambitious officials who have the painful impression that they are sitting on what is commonly known as the "spot."

A delegation of public employees marches in on them and recites a stirring ode whose stanzas end with the refrain, "Salary boosts or else."

Budgets are inflated

THE next sequence in this extravaganza is launched with a formal request from the City Auditor to bureau heads to turn in their budget askings for the coming year. The accompanying music is the old popular song entitled, "Every Little Bit Added to What You Got Makes Just a Little Bit More," which grows in volume as the department requests one by one are filed. There is some delay as each division jockeys around to find out how much of an increase over the old budget their companion bureaus have the nerve to request. Of course the new budgets include the salary boosts previously agreed upon by the councilmen behind closed doors.

This routine includes the following old shell game: These budgets are inflated about double the increases which the department heads hope finally to get when the

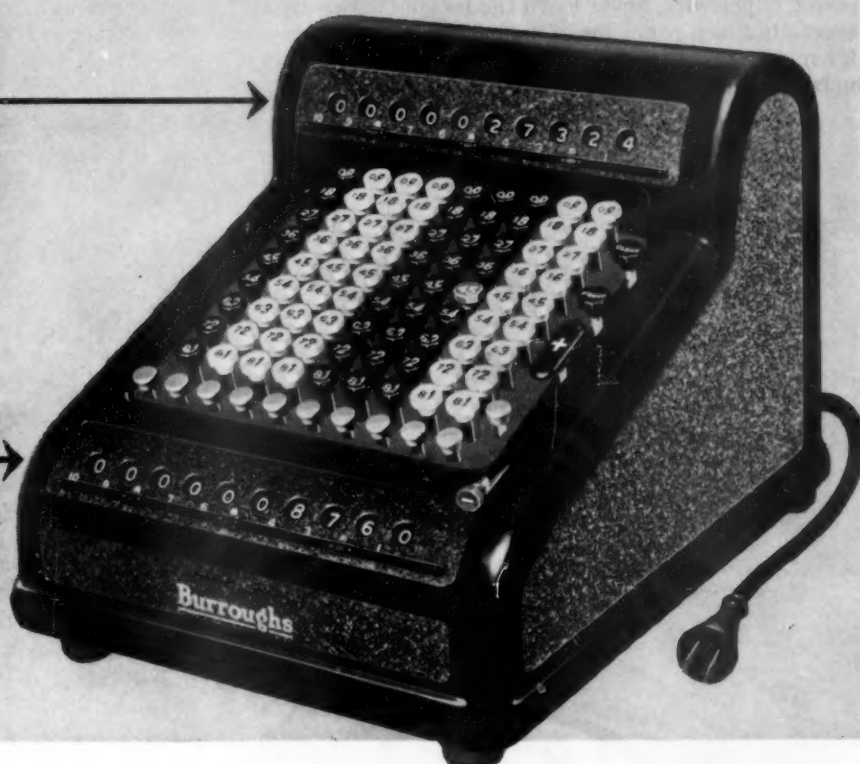
Burroughs

NEW ELECTRIC DUPLEX CALCULATOR

GRAND TOTAL
or the Net Result

Any amount in lower dials may be added to, or subtracted from, the amount in upper dials by touching the plus key or minus key.

**INDIVIDUAL
TOTAL**
or the Result of a
Single Calculation



Direct to the Net Result!

This new Burroughs Electric Duplex Calculator—complete with direct subtraction and two sets of accumulating dials—saves needless steps in handling any calculating job. The lower dials show the result of each individual calculation; the upper dials show the grand total, or net result. Thus the complete calculating job can be done on this remarkable machine with one handling of the figures. This means a surprising saving in time, money and effort. For a demonstration, or for complete information, telephone the local Burroughs office.

BURROUGHS ADDING MACHINE COMPANY, 6102 SECOND BLVD., DETROIT, MICH.

THERE'S A BURROUGHS CALCULATOR FOR EVERY TYPE OF CALCULATING

smoke clears away. Most of these increases are buried in the blind "miscellaneous" accounts which always grow in abundance in most budget fields. This device leaves a fine line of retreat down which the department heads can retire with screams of, "wrecking our essential public services," until the budget is whittled to the point which they expected all the time. This notch is a substantial boost over that of the previous year. This little game leaves glory enough for all. The elective officers, in whittling down the budget from the original asking, can appear as perspiring heroes, and the bureau and division heads get all the increases they have the nerve to ask for this year.

The City Auditor then totals the askings and transmits the whole budget to the City Council. Members of the latter body promptly pass out from the shock of the whopping total boost over the past year. This is because they, and this includes budget-makers up to and including our national Congress, in spite of about 175 years of budget-making experience, never learn the lesson that easily and cheerfully given promises of salary boosts, new jobs and higher expense items must necessarily hoist the level of the budget and bring higher taxes. Upon recovering from

throws at the fireside never appear in print. The tax committee of the chamber of commerce, the real estate board or the improvement league, which all the time has been expecting some such result, comes out with a "shocked and surprised" interview.

Now follows the Battle of the Per Capitas.

First the taxpayers' group issues a statement to the effect that taxes in our town are higher *per capita* than in most cities of our size.

In rebuttal, the spokesmen for the public employees whose salaries have been boosted in the new budget, release a story that our town is different from all other places of its size because it is too large in area, too hilly, too hot, too cold, too wet, too dry, or it has a river running through it east and west, which factor of abnormality necessitates a higher *per capita* expense. Furthermore, the national association of such and such public service (to which our department contributes a \$25 a year membership fee) reports that our community doesn't spend nearly enough *per capita* for this or that public service. Our asking is more modest than the recommended ideal *per capita*, therefore, our economy and restraint should be commended and our requested budget should be granted without an argument.

Statistics are distorted

CONSTELLATIONS of figures and statistics are handy to prove the contention of both sides. Their use depends upon the resourcefulness and industry of one side or the other. Cooler and judicious heads are necessary at this point or both sides will be resorting to the wildest statistical gymnastics, the mildest of which would be to see how we rank as compared with all cities beginning with the letter "P" provided we have previously found that such comparison makes a good showing for our contention. The upshot is that these showers of *per capita*s, far from enlightening the public, merely leave it more confused than ever.

The climax comes in the public hearing on the budget. Most states have laws requiring a public hearing on any proposed public budget at which citizens have an opportunity to express their objections. Usually these public hearings are as well patronized by protesting taxpayers as the time-clock in a factory having a sit-down strike.

As long as we are in a statistical mood, let us reduce taxpayer interest in taxes, as measured by attendance at these public hearings on the budgets, to a *per capita* basis. Such interest registers about six interested taxpayers per

100,000 population in an ordinary year. In a year when a citizens' tax committee is unusually energetic, by the use of radio, newspaper publicity and advertising, telephone calls, form letters, personal solicitation, public meetings, pulpit appeals, business pressure, threats of foreclosure or raising rents and even the use of blackjacks, this ratio might be increased by two or three more persons per 100,000 population.

Budget hearing day dawns bright and chilly, particularly for the taxpayers. This year the taxpayers' group has made a strenuous effort to get out a good representation at this public hearing, with the result that about 30 persons are present in the interest of opposing the budget boost.

This is only one per cent of the 3,000 letters sent



He releases the figures and waits for the explosion

this shock, most of the councilmen avert their eyes from the budget in non-recognition as they would avoid a disreputable, intoxicated former chum when meeting him on the street.

The Council then releases the figures for publication and, like a small boy who holds his ears waiting for a cannon cracker to explode, it waits for the popular reaction. Also the councilmen and their friends are thinking up good alibis.

The budget is published—a ten to 25 per cent increase over that of the current year depending on the nerve of the tax levying body.

The forces of the embattled taxpayers—a bare half dozen persons—swing into action. Naturally the numerous apoplectic fits which the chief taxpayer of the family



Shaped to suit you

LIKE clay in the potter's hands, Life Insurance Programs readily take many different forms. You can have a Program shaped to your family's needs.

While your requirements undoubtedly differ from those of others, there are certain provisions in most programs which you may find helpful in developing your own. These provide cash for a family's immediate needs during the period of readjustment and, in addition, furnish a continuing monthly income designed to take care of

necessary living expenses thereafter.

Your Program may also provide funds for the fulfillment of hopes and ambitions, such as the education of your children and the enjoyment of your retirement years.

Careful planning is necessary to get the most out of your Life insurance. A Metropolitan Field-Man will be glad to help you shape a Program to meet your particular needs and income. Telephone the nearest Metropolitan office today or mail the coupon.

The Metropolitan issues Life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company
1 Madison Avenue, New York, N. Y.

Without obligation on my part, I would like to have information regarding a Life Insurance Program to meet my needs.

NAME _____

ADDRESS _____

CITY _____ STATE _____



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, Chairman of the Board

LEROY A. LINCOLN, President

ONE MADISON AVENUE, NEW YORK, N. Y.

Copyright, 1938, by Metropolitan Life Insurance Company

out by the committee. Continuing our mathematical bent, we will perform an operation in subtraction to account for the discrepancy between the number of those urged to attend and those actually at the hearing.

From about 2,500 of the 3,000 taxpayers to whom letters were sent, come blessings, best regards, wishes for good luck in holding down taxes and regrets that they cannot attend. Next, one hundred of the invited absentees are substantial citizens who prefer to do their denouncing of the "tax spenders" from the plush dining room chairs of their club. These gentlemen are good denouncers and as purveyors of "why don't you do thus and so?" they cannot be excelled.

Critics in private only

BUT occasionally some disrespectful person diabolically suggests to these sages that their denunciations really are so good that they ought not to be wasted in the sacred precincts of the club but should be delivered in person at the City Hall budget hearing before the officials whom they so detest. A change of subject follows.

Finally, there are about a score of splendid, public-spirited citizens, some of them the most opulent in town, who, while deploring high taxes, believe that exceptions in budget-cutting should be made to certain public activities of which they have made a hobby. Most of these men serve on some official or semi-official board dealing with these activities such as parks, recreation or city planning which already have approved budget increases for next year for these particular public services. So, to keep their own records consistent, these men regret that they cannot conscientiously appear at the hearing to urge lower taxes. This leaves about 30 *bona fide* interested taxpayers at the hearing and the chances are that they will never appear again.

These good citizens are all standing around the walls and in the aisles because all the seats in the Council Chamber have been occupied for two hours previously by city employees, their brothers, uncles, sisters, cousins and aunts. The two groups exchange glares at each other.

The speakers on the taxpayers' side easily can be picked out. They wear the nonchalant smiles of persons about to be shot as they meet the frankly hostile gaze of the brawny garbage collectors, sewer cleaners, policemen and firemen who are either off duty or have been sent as delegates by their fellow employees to this meeting. These citizen speakers who have been unable to dig up a sudden business trip out of the city, have eaten light breakfasts because

of light appetites resulting from rumors about town as to unpleasant eventualities which are likely to transpire at the hearing.

They fully expect to be brought home on stretchers due to their efforts on behalf of John Taxpayer. As they scan the distinctly unfriendly audience, they wonder whether or not it is worth while so to emulate Patrick Henry or Paul Revere when the persons whom they are thus sticking their necks out to defend, aren't interested enough to appear in person.

The meeting is opened by the Mayor with what he is pleased to call, "a non-partisan, non-political explanation of city expenditures." He announces to this gathering, 80 per cent of whom consists of public employees and their relatives:

"I am more than happy to explain the operation of our municipal government to all you taxpayers."

At this, one newspaper reporter looks as though he is suffering from nausea.

The Mayor's discourse is sprinkled with the phrase "cut to the bone" which even arouses a faint grin on the faces of the city employees.

The first speaker is on the taxpayers' side. He paints an undeniably melancholy picture of hard-working elderly couples losing their vine-covered cottages because they cannot afford to pay the mounting taxes. This pathetic appeal has an unmistakable effect on the audience but not as the speaker had anticipated. He is a local business man of more than ordinary principles and reputation but because he happens to be known as the holder of the land contracts and mortgages being paid by many folks in the vine-clad cottages, many in the audience ascribe to him purely selfish motives in his opposition to the tax increase.

So he sits down in an outburst of catcalls and boos which smother the applause from his few supporters.

The political viewpoint

THE Mayor permits the hostile demonstration to continue long enough thoroughly to impress the taxpayers and then he magnanimously motions for silence. He inquires in silky tones:

Will my good friend who desires lower taxes please tell us city officials where and how much he would cut our public services? Shall we slash our police, fire or parks budgets? We only want to do what the people desire.

The Mayor's barely concealed derision is openly echoed in the applause from the crowd.

This pointed inquiry drives members of the citizens' tax committee into a huddle to formulate an answer. They know that the Mayor knows that, among their number, are influ-

ential citizens who have in the past appeared before the City Council requesting appropriations for new civic projects and they easily perceive that the Mayor is trying to put them in a hole. So a guarded reply is necessary.

Sibilant whisperings come from the citizens' committee. The Mayor beams across the room at his supporters like a plump tom cat about to finish a mouse.

The taxpayers' plaint

SUDDENLY a little old woman in the rear of the chamber pops up:

Why doesn't somebody answer the Mayor? If nobody else will, I will. I am a real gen-u-wine taxpayer which I can see is more than can be said for a good many persons in this room. I know what it is to have to scrape up more and more taxes every year on a house that has less and less value. That hasn't got sense and it's got to stop or you won't have folks trying to own homes. Didn't we taxpayers elect you Councilmen to run our city for us? So why are you asking us how to cut expenses? If you confess you can't hold down taxes, there's no more law to prevent you from resigning and letting somebody take your place who can than there is to stop me from quitting as president of my ladies' aid society.

I'd like to ask one question myself: How many persons in this room are city employees or members of their families who are being supported by us taxpayers and who are getting their salaries boosted in this budget while our own income and wages haven't increased a dime?

She stops abruptly like the rare soul she is who knows when she has talked to the point and said enough. Frenzied applause comes from the taxpayers' group which feels immense relief at help from this unexpected source which had phrased in a word or two their own case which they had been trying for days to formulate in long speeches. So potent is this attack that the other portion of the audience doesn't retort.

Then follows an orgy of speech-making. It is an orator's purgatory. There are speeches good and bad, long and short, roaring and sedate, pointed and pointless, by men and by women. Sometimes two or three speeches go on at the same time. On one such occasion an old colored man rises and manages to get the attention of the presiding officer.

"Brothers and sisters," he chants, "We can all sing together and make harmony. But we can't all talk together and some of us folks in the rear of the room would like to hear what is going on."

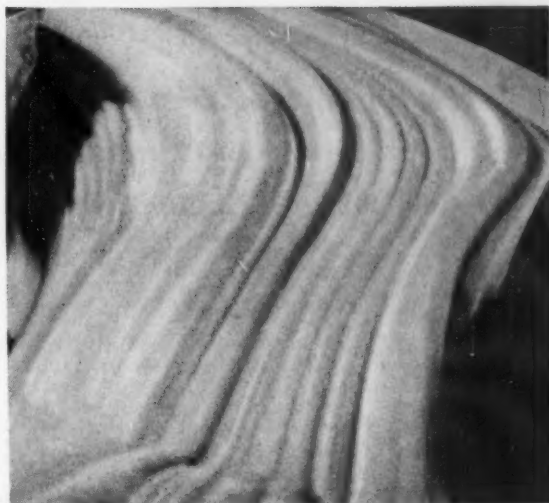
There are speeches from all sorts of persons. The motive of all the speakers is self-interest to a greater or lesser degree but most of them try to cloak this with a pious disinterestedness which fools nobody. The plain taxpayer who just doesn't want high-

(Continued on page 81)

COMPTOMETER METHODS make figures "come clean"

THIS IS IVORY SOAP (at right) in the making. The Procter & Gamble Company, maker of Ivory and other fine soap products, is justly proud of its up-to-date methods. In handling figure work, as in mixing the ingredients of "P & G" products, absolute accuracy is essential. Hence, this outstanding company chooses the "Comptometer."

TRAINED OPERATORS (below) in one of Procter & Gamble's centralized "Comptometer" departments handle quickly and accurately such important figure work as compiling order statistics, auditing invoices, distribution of sales expenses, prorating, general accounting and statistical work. "Comptometer" methods are also employed at "P & G" branch offices.



"IT'S A PLEASURE to operate the Controlled-Key 'Comptometer,'" says Miss Edna Crail (bottom left), "Comptometer" operator at the Procter & Gamble Company's general office at Cincinnati, Ohio.

"That clever Controlled-Key device enables me to work fast without fear of operating errors. If I fail to fully depress a key, the keyboard is automatically locked until I press that key all the way down. I've operated a 'Comptometer' at Procter & Gamble for seven years, and I think it's a grand machine."

• • •

IF SPEED, accuracy and flexibility in handling figure work are essential to the profitable conduct of your business, permit a representative to show you (in your office, on your job) why so many progressive concerns have adopted "Comptometer" methods. Telephone the local "Comptometer" office, or write direct to Felt & Tarrant Mfg. Co., 1712 N. Paulina Street, Chicago, Ill.

COMPTOMETER

Trade-Mark of Felt & Tarrant Mfg. Co.—Reg. U. S. Pat. Off.

No Business Can Escape Change

**"What helps business helps you"
because business creates the
new things for better living**

1 • A LIQUID preparation has just been developed which cleans and waxes an automobile finish in a single operation.

2 • A NEW electric range dispenses with the usual pots and pans. It has specially designed aluminum utensils that fit snugly into insulated heat wells in the range top. Heat is thus trapped more efficiently. The oven is insulated with spun glass and automatically lighted when the door is opened.

3 • A SYNTHETIC drying oil for paints, enamels, inks, varnishes has certain similarities to tung oil, certain advantages. It's flexible, has good adhesion, good water resistance, long life.

4 • A STITCHER for corrugated boxes has fewer moving parts, easily reversible wearing parts to give double service. It uses coil wire instead of staples.

5 • A NOVEL method of inspecting machine parts for interior voids or faults involves passing the part through a magnetic field. Magnetic search coils show discontinuity in the metal of the part.

6 • A NOVEL use of a chemical solution makes ordinary paper sufficiently transparent that good blueprints can be made from India ink, typewritten, or even pencil originals.

7 • A DEVICE to save bank tellers' time in rush hours accepts deposits somewhat like a night depository. The customer puts the deposit in an envelope which includes the deposit slip, then drops it through a slit in the device's top. Accumulated deposits are checked later and a receipt mailed.

8 • A COMBINATION water heater and non-mechanical refrigerator operating from the same gas flame is said to give exceptional economy. It resembles the usual mechanical refrigerator in size and shape.

9 • A NOVEL device resembling a slide rule simplifies the computing of monthly payment amortized loans, up to 20 years. Various interest rates may be used from four to eight per cent.

10 • A SPECIALLY designed bottle and dispensing top lies flat on the shelf. The liquid can be obtained by pressing the valve without tipping the bottle.

11 • AN AUTOMATIC bank teller takes deposits, records them photographically, drops the checks and deposit slips into a locked drawer for later handling by the bank's staff. Currency cannot be photographed due to federal law.

12 • A HAND fire extinguisher using water with an anti-freeze mixture discharges a 40 foot stream by means of pressure from a gas cartridge. The anti-freeze solution is good until used although annual inspection is recommended.

13 • A SETTLING tank is built on a new principle, that of upward sludge filtration by means of periphery intake channel. It has a number of trays mounted vertically which serve as settling chambers. Large intake opening results in minimum disturbance to the liquid. It handles hot or cold liquids.

14 • AN AUTOMATIC stripper of new design for insulated wire has a lever which prevents return of the arms until the wire is removed, thus preventing the jamming of stranded wires.

15 • A NEW dust respirator filters out siliceous and similar dusts as fine as one micron with efficiency and slight breathing resistance. Weighing only 3½ ounces, it is designed to give full vision. Does not interfere with goggles or head gear. Filters are quickly replaced, the whole unit easily sterilized.

16 • PISTON RINGS of a new type seat more quickly, give long life and decreased friction. They have a soft metal insert which takes the pressure, and burnishes the cylinder, allows the base ring to seat gradually.

17 • A SURFACE treatment for cement floors makes them dustless, seals against oils or stains. It fills in the pores of the surface and gives a tough and more resilient characteristic to the floor.

18 • A NEWLY developed synthetic wax is self-emulsifying in water, dries to a high gloss finish that has good wear resistance and is highly water resistant. It's recommended for bright-drying finishes.

19 • AN EXPOSURE meter for camera addicts has its light-sensitive cell shielded by a hood to approximately the camera angle. The hood, when not extended, fits snugly over the instrument. By removing the hood, the device may be used as light meter for home or office.

20 • A NOVEL device, worn on the belt, holds friction or rubber tape, prevents leaving tape on the job, makes the use of short rolls easy.

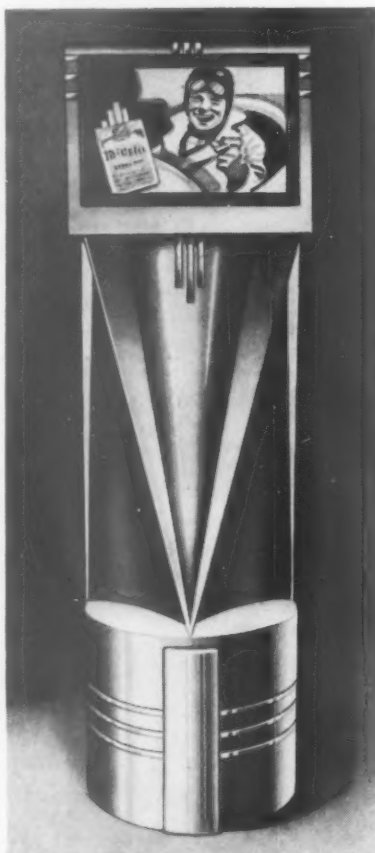
21 • A FLOOR-SURFACING material, applied in half-inch thickness is said to form a permanent bond with concrete or other common base. It has high crushing strength and hardness to stand severe wear.

22 • A BOARD for solitaire bridge allows one player to play against three invisible opponents. The simply operated mechanism is said to be designed so that the opponents are automatically experts.

23 • A HIGH-SPEED centrifuge for laboratory use, now in commercial production, attains a speed of 80,000 r.p.m. giving a centrifugal force of 250,000 times gravity. The rotor is housed in vacuum, driven by a small air turbine, and is arranged so that it may be photographed in motion.

24 • A NEW sand blast gun delivers sand through a flattened orifice with abrasive-resistant alloy steel lips. An internal baffle sets up a whirling motion in the sand. It is said to clear finishes faster without cutting or pitting the surfaces.

—WILLARD L. HAMMER



25 • A NEW type motion picture projector for continuous showing of advertising and other films in lobbies or show windows has a system of pyramidal mirrors instead of a shutter. One picture fades out as the next comes on, thus eliminating flicker. It's easier on the film, too.

Editor's Note—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.

The Warning of the Bent Nail

It takes more than power to do even the simple job of driving a nail. Where you strike, how good your control, makes a big difference in the results you get.

Homely though this example, it is alive with meaning. A faulty hammer-blow not only spoils the nail, but it wastes time. Often it means a painful injury to your fingers. Sometimes it mars the object you wish to make secure.

The direct parallel between this illustration and the operation of motorized machines will be instantly recognized by men interested in the profits to be obtained from operating a factory. Faulty Motor Control can make good machines fall into the same costly troubles. Material in process is often damaged, the safety of workmen jeopardized, the machine itself harmed, valuable time wasted. Isn't it worthwhile to avoid all this by insisting on good Motor Control for every electric motor and motorized machine? Thousands of executives have answered in no uncertain terms by rigidly specifying Cutler-Hammer Motor Control. Most motor builders recommend it. Leading machinery builders feature it. A host of responsible independent wholesalers stock Cutler-Hammer exclusively. CUTLER-HAMMER, Inc., Pioneer Manufacturers of Electric Control Apparatus, 1251 St. Paul Ave., Milwaukee, Wis.



CUTLER-HAMMER MOTOR CONTROL



What Is Motor Control?

Motor Control has no one form. Whether it is a little device like the cold control on your household refrigerator or an entire balcony of panels as in the steel mills, it starts, stops, regulates and protects motors to save time, trouble and expense. The name Cutler-Hammer is its greatest guarantee.



Leaders in the March of Business



A. E. Allen in dark suit, at a company picnic



HAIDEN KAZANJIAN
Gerard S. Nollen



Herman G. Fisher



SARBA, INC.
John Holmes

A. E. ALLEN, vice president, Westinghouse Electric and Manufacturing Company, announced that more than 2,000,000 electric refrigerators will be sold in 1938 with a retail value of approximately \$350,000,000. Ten per cent or more will be replacements. His company also announced expanding of its air-conditioning activities, believing that \$5,000 to \$7,500 homes are adaptable to winter air-conditioning and higher classes offer market for year round air-conditioning.

JOHN HOLMES, 46, started with Swift & Company in 1906 as a messenger, recently chosen president of the organization. He is the fourth president of the firm in 52 years and the first not named Swift.

GERARD S. NOLLEN, president, Bankers Life Co., Des Moines, served as chairman of the Association of Life Insurance Presidents at a recent meeting and said estimated insurance now in force, \$110,000,000,000, is the most ever reached. Of the total payments of \$3,000,000,000 in 1937, 80 per cent went to living policyholders.

HERMAN G. FISHER of Fisher-Price Toys, Inc., East Aurora, N. Y., heads the trade association of toy manufacturers. His company was organized in 1930 and specializes in wooden, mechanical floor toys for children of pre-school age. The toy manufacturers estimate that the retail value of toys manufactured in 1937 was \$233,000,000.

CHARLES E. WILSON of Bridgeport, Conn., is the new executive vice president of General Electric Company. He started with his company as an office boy 38 years ago. He has served in practically every function of the business from shipping clerk to sales manager.



Philip D. Reed, Gerard Swope, Charles E. Wilson

Washington and Your Business

By HERBERT COREY

Who Sold Stock To Mr. Jackson?

WHEN Robert H. Jackson—now assistant attorney general of the United States, potential candidate at large, and free style javelin heaver—was a young man he earned some money, saved it, and invested it in somebody's common stock.

Then the stock turned sour overnight.

No one would say that Mr. Jackson's young tree was bent by this incident. It can be said with authority that Mr. Jackson still breathes hard when he remembers it. Whoever it was sold that stock did a mighty poor stroke for Business because Jackson remembers easily.

Is Government To Be Overseer?

SO MUCH of the talk was "off the record" that only one short quotation will be made here.

"Stockholders in big corporations," said Mr. Jackson, "have nothing to say about the management of their affairs." "If they are dissatisfied they can vote the management out."

"Of course," said Mr. Jackson, "that is true."

The distinct impression was that, since the stockholders did not have energy enough to look after their own affairs, government must do it for them. But there will be no quotes. Life in Washington would be so much easier if officials did not talk "off the record." Then we might print that an official thinks government should take over the burden of business management.

Invitations for This Year's Mess

INVITATIONS are out for the sit-down parleys. Leaders in government are repeating that Industry—apparently with a high I—should sit down with Government with a big G, and talk matters over. They seem to have personalized Industry and Government, as though they expected one man to talk for all Industry and one man for all Government. If there is one man who is qualified to talk for all Industry his identification is eagerly awaited. There certainly is not one man to talk for all Government. Marriner Eccles is head of the Federal Reserve bank and Henry Morgenthau is Secretary of the Treasury and so should be in accord on money matters. They are not. Isador Lubin and A. C. Hoffman are ace statisticians. They may pull together today and pull apart tomorrow. George L. Berry established the pattern of government-industry sit-downs when he was Federal Coordinator:

"I'm telling you," he said to a group that came to Washington at his invitation. "You listen to me."

Free as Birds And Livelier

IF YOU were the head of one of the 70 government-owned, tax-paid-for corporations, and you wanted to buy a yacht you could telephone the treasurer of the corporation:

Hey, Bill. Have we money enough in the cash box to pay for a yacht?

If he said that the corporation had that much money you could then go forward and buy the yacht. There is no one in the world to say you nay. Not even the President of the United States or the Supreme Court. The money is your money so far as any impediments on

spending it are concerned, and after you get the yacht it will be your yacht. The Attorney General of the United States might then complain, as the representative of the 125,000,000 stockholders in your corporation, that you were wasting the corporation's money. He might not care to complain. He might not win the suit if he did. Compared to officers of the 70-odd government-owned corporations birds wear handcuffs and Oregon boots.

Congress Holds Stronger Hand

WHEN Acting Controller General Elliott brought the free-wheeling 70 corporations to the attention of Congress the first impulse was to assume that Elliott was pouring water on the wheel of the Brownlow reorganization plan. Some of these corporations date back to President Wilson's administration. Others were added under Presidents Harding, Coolidge, Hoover and Roosevelt. All are practically insured against fiscal control, although it may be assumed that, if a hard political thumb were pressed down, most of them would squeak. In fact, however, Elliott supplied ammunition which will be used in Congress against the Brownlow plan, which would take from Congress the authority to regulate, through the Controller General's office, the spending of federal money before it was spent. Watchers on Capitol Hill think Brownlow's scheme will be jettisoned, at least so far as it touches auditing matters. But it is possible that something may happen to the 70 corporations.

The 7 T.V.A.'s Picture Fading

THAT a milder measure will come out of conference than the regional grouping bill proposed by Senator Norris and Representative Mansfield is regarded as certain. It is even possible that whatever compromise is proposed will be dawdled to death. Senator Norris has been trying to rebuild the forces which once backed the seven T.V.A.'s measures but the report is that he has had little success. "The fact is," said a Senator who originally favored it, "Congress is getting tired of underwriting uncertainties. What this country needs just now is to be left alone."

One of his constituents, he said, is at the head of a corporation which would spend some hundreds of millions of dollars in extensions and betterments if it were assured against government competition in the seven T.V.A.'s plan. If government is to compete it will not spend a nickel because it could not buck the federal treasury. Until it finds out what is to happen it dare not spend any.

Morgan Wants to Drag It Around

WHEN the fire in the T.V.A. organization finally burned through the roof some weeks ago, Senator Norris led Chairman Arthur E. Morgan into the back room.

"Goodbye, old friend," said the Senator. The tears choked his voice.

"Goodbye, nothing," Chairman Morgan replied in effect. "I'm just starting. Not going."

Morgan wants to drag the T.V.A. cat through a congressional investigation, and thinks Norris's efforts to refer the matter to the Federal Trade Commission for a \$200,000 inquiry is merely an attempt to get rid of him with the minimum of noise, whereas he "has evidence

concerning the general situation" he wants to present. Morgan's feelings have been hurt by Lilienthal and Harcourt Morgan, his associates on the T.V. Authority, but his reason for desiring the investigation is that he thinks the T.V. Authority has wholly departed from the original plans. On the stand Morgan would be eloquent, saintly and implacable.

This "Selfish" Interest Speaks

THE new idea is that a man who wants to make a profit is a "selfish" interest, whether he runs a peanut stand or a railroad. The unselfish interests are those who want some one to give them money, or men who are in politics. Therefore the four representatives of manufacturers of gasoline-motored power plants who addressed a gathering of editors of 38 farm monthlies made true confession:

"Our interest is a selfish one," they said. "We want to get back the business we have lost through the R.E.A."

They made the point that the Rural Electrification Administration has persuaded the farmers that rural electrification is just around the corner at the cost of the Government. They produced evidence to back their position that only a relatively few farms can be electrified by the R.E.A. at the cost of the current user. Other farms may be electrified at the cost of the taxpayer, of course, but under the R.E.A.'s own rules the prospects for solvency are pretty low in the average government-backed cooperative. They said:

Government propaganda has had the effect of decreasing our sales. We do not ask you to take our word for these things, but we do ask you to send your own men out and let them get the facts.

Courts Saying "Thumbs Down"

MEANWHILE the R.E.A. has run into heavy trouble with the courts. About one-half of the telephone messages in rural parts are carried over small cooperative or independent lines. Many of these lines have been constructed as cheaply as possible, but they give as good service as their owners are able to pay for, and that service is indispensable to the farmer today. The high-power lines of the R.E.A.-backed cooperatives simply ruin these small lines. The cost of rebuilding or other protection is often beyond their means. John M. Carmody, R.E.A. administrator, says in effect:

That's too bad. But the Government must not be impeded in its benevolent purposes.

Courts in Minnesota, Iowa, Kansas, Nebraska, North Dakota, Oklahoma, Wisconsin and Arkansas have recently ruled against the R.E.A. and required it to pay at least a part of the cost of reconstruction or other protection.

This Will Make Three of 'Em

IF THE bill requiring corporations doing an interstate business to obtain Federal licenses becomes a law, and Secretary Wallace's "ever-normal" granary bill gets on the statute books as written, and the projected wages-and-hours bill is enacted, the federal Government will have power in its hands to control agriculture and industry to the last feather. Transportation and finance are already fairly well controlled. If the seven T.V.A.'s bill becomes a law along Tommy Corcoran's original ideas the utilities will be managed from Washington. Senator Joseph C. O'Mahoney, who collaborated with Senator Borah in writing the corporation license bill, thinks it will pass.

"It's bound to come sooner or later," he has said. "Why not now?"

Other Senators indicate that the O'Mahoney-Borah bill

is in a fairly good position for two reasons:

1. It does not increase the power of the President. Congress has become very touchy about that of late.

2. O'Mahoney has included child labor and wages-and-hours provisions and various other bobberies in it, and these things can be traded off for support.

Re-vamping the N.L.R.B. Act

ON Capitol Hill those who should know think the National Labor Relations Board and its fundamental act will come in for some hearty kicking around before the session is over. Out of it something workable may come. Whatever comes will come slowly because Congress has gotten tired of breaking through thin ice at the request of eager young men. It is beginning to doubt, too, whether the authority back of the young men has always been as definite as the young men believed. It has noted that some of the young men are from time to time left out on the ends of thin and limber limbs. There is an inclination to absolve the Board members from the charge of unfairness:

They admit they have made mistakes. But the Act was loosely drawn, and some of their subordinates were high-and-mighty.

Draw Another Long Breath

PREDICTION uttered by a student of temporal affairs and political trends and who is in the confidence of those who for the purposes of this paragraph may be referred to non-committally as The Powers:

There will be a third party—Labor—in 1940. John L. Lewis will head it but not be a candidate on its ticket. The Labor party will draw in all the little ragtag parties and certain elements from both the major parties. It will cast enough votes to put the election of the President into the House of Representatives. Then there will be a frightful mess.

Another prediction by another person is that if the first prophet were a well man he would not feel so badly.

Dark Days for Lewis's C.I.O.

THE outside judgment of the weather in the C.I.O. recalls the story of the farmer who spent a night in a small town hotel. When his wife asked him to put his head out of the window and report on the weather he opened a pantry door by mistake:

"Dark," he told her, "and smells like cheese."

His friends report that John L. Lewis does not think that way at all. He believes that shut-downs and sit-downs and the admitted facts of the business situation have enabled him to reduce the more obstreperous elements to order. A large share of the reported strength of the C.I.O. were just froth-blowers, anyhow, who did not pay dues and made trouble for every one. He thinks he will come out of the depression with a solidly cohesive C.I.O. and will eventually force the A.F. of L. to accept his terms. From the other side comes the report that when William Green hears such things he is dreadfully hurt.

"Only Man Shot was Bystander"

A.F. of L. sources report that some of the less belligerent and more far-sighted leaders on both sides have urged the creation of a governing board, which would represent both sides in the dispute, and which could deal with employers in a friendly and factual way:

"We're tired of this breast-beating and Bible-reading," they say.

But they have gotten precisely nowhere in dealing with Green and Lewis. Too many hard feelings have been aroused, and the would-be compromisers find themselves

CHEVROLET PRESENTS
THE MOST COMPLETE LINE OF TRUCKS IN THE LOWEST PRICE FIELD



NEW 1938 CHEVROLET TRUCKS
THE THRIFT CARRIERS FOR THE NATION



FOUR GREAT LINES

of half-ton, $\frac{3}{4}$ -ton, 1-ton and $1\frac{1}{2}$ -ton trucks . . 5 wheel-base lengths . . with a wide variety of models to suit your haulage needs . . all of them big, rugged, dependable truck units with Valve-in-Head Engines, Perfected Hydraulic Brakes and Extra Sturdy Frames . . designed and built to give you more miles of service at lowest cost per mile.

CHEVROLET MOTOR DIVISION, General Motors Sales Corporation, DETROIT, MICHIGAN

suspected of traitorous conduct. Besides this, Lewis is credited with saying:

No board ever got anywhere under its own power except down stream.

Common Sense and Homes

THERE is good reason to believe that some kind of a housing program will be put through Congress. The mistakes of the past have been identified, less haste and noise will be manifested, and friends of the theory that housing must be done by government aid believe the next program will be worth while. In the meantime, the National Lumber Association, in cooperation with retail lumber dealers, is going right ahead with a plan of its own. It is proposed to build thoroughly satisfactory homes under \$5,000, completely modern.

Speaking Again of Overseeing

TO speak again of the overseeing of business by government, which almost every one is nowadays, a railroad man made these suggestions:

In 1922 the Government cut the railroad freight rates. That was overseeing. The I.C.C. had the authority and believed that it acted for the best. No criticism of the sincerity or ability of the members of the I.C.C. will be made, now or at any other time. But the rate cut was a huge mistake. The roads were crippled and the related industries were crippled along with them. If there had been no cut, the roads and these industries might be in a good position now. As it is, the roads in 1936 did almost precisely the same job of hauling they did in 1931 and got \$550,000,000 less for it. So much for a poor governmental guess.

Roads Ask for I.C.C. Speed

ONE fault with the theory that government can oversee business—said the same railroad man—is that it is not flexible. It cannot move fast enough. By the time it catches up, the whole face of nature has been changed.

There is the case of Ex Parte 115, for instance. The roads asked an increase in freight rates. After 11 months the I.C.C. granted three-fourths of the increase asked, but by that time conditions had changed. In the past 12 months, railroad expenses rose faster than in any like peacetime period.

He is, perhaps, a soured and disappointed man. Having spent his life in railroading, he is not yet convinced that a lawyer can run a railroad better than he can.

Reporting on the Reports

REPORTS have come in from advertising solicitors of daily newspapers that the Robinson-Patman Act has harmed the small business men, instead of helping. They say:

The small grocers have cut their advertising because they could not afford to keep it up. But the chains have found some way to keep up their advertising and consequently have gotten the business.

This is merely a report on a report.

The *NEA Bulletin* raps small town newspapers for not being alive to some of the facts of life. The *Bulletin* said in effect that the newspapers gave more news space to consumer cooperatives than to individual business concerns. Yet the co-ops do not take advertising space and the small stores do.

Kennedy's Foot Is A-Jiggling

JOSEPH P. KENNEDY is the Big Boy Emeritus of the Administration. When there is a hard job to do he gets it. He likes to do it. But he has red hair, an Irish temper, and a jiggling foot. When his associates see that foot beginning to jiggle they make excuses to go out to the pie-wagon for a cup of coffee.

Reports are that the Kennedy foot is jiggling. He took an unacceptable view of the present business situation. He argued that if business were let alone—given a chance to make plans—were relieved of some ill-devised taxes and the weight of hostile oratory—it would make its own recovery. He was not listened to. Then it was noted that he was to be the next Ambassador to the Court of St. James. Some of his friends suggested this was a form of exile. It was better, they said, than being liquidated.

Last accounts are that the Kennedy foot is jiggling.

Goose Sauce Is Gander Sauce

CONGRESSMAN Emanuel Celler is puzzled by the "Third Basket" of his colleague Representative Vinson, which is designed to favor the small corporation in tax laws as against the large corporation. He thinks that what is sauce for the goose has always been sauce for the gander:

There should be no discrimination. Capital, wherever employed, should have equal treatment.

Celler points out that the Administration is now trying to favor the consumer by keeping prices low, but that low prices come from mass production and mass distribution, which are only possible to large corporations. An effort to reduce prices by fiat while coincidentally the corporations which can produce low prices are being injured by the undistributed profits tax is, he thinks, inconsistent and unfair.

Soc. Sec. Has a Man-sized Job

NO MATTER what may be done to the act under which the Social Security Board is operating; and something will be done; no doubt plenty will be done; every one seems in agreement on that.

There is no doubt that the Board has a man-sized job, if the man were as big as Primo Carnera. There are 379,000 Joneses on its books, for instance, as many Smiths, and Browns and Robinsons by the shipload, and every one must be kept separate from every other one so that the identification may be made in a hurry. Thousands are writing in every day to change their birth-date on the official records, as some sort of a protection against losing their jobs when they are 65. Other thousands think their employers might not report their earnings correctly and write for periodic reports. Some of the 37,000,000 wage-earners now on the books work for 15 or 20 different employers each month and what a headache that is to the Soc. Sec.! Some change their names every little while just for fun.

Might As Well Laugh at It

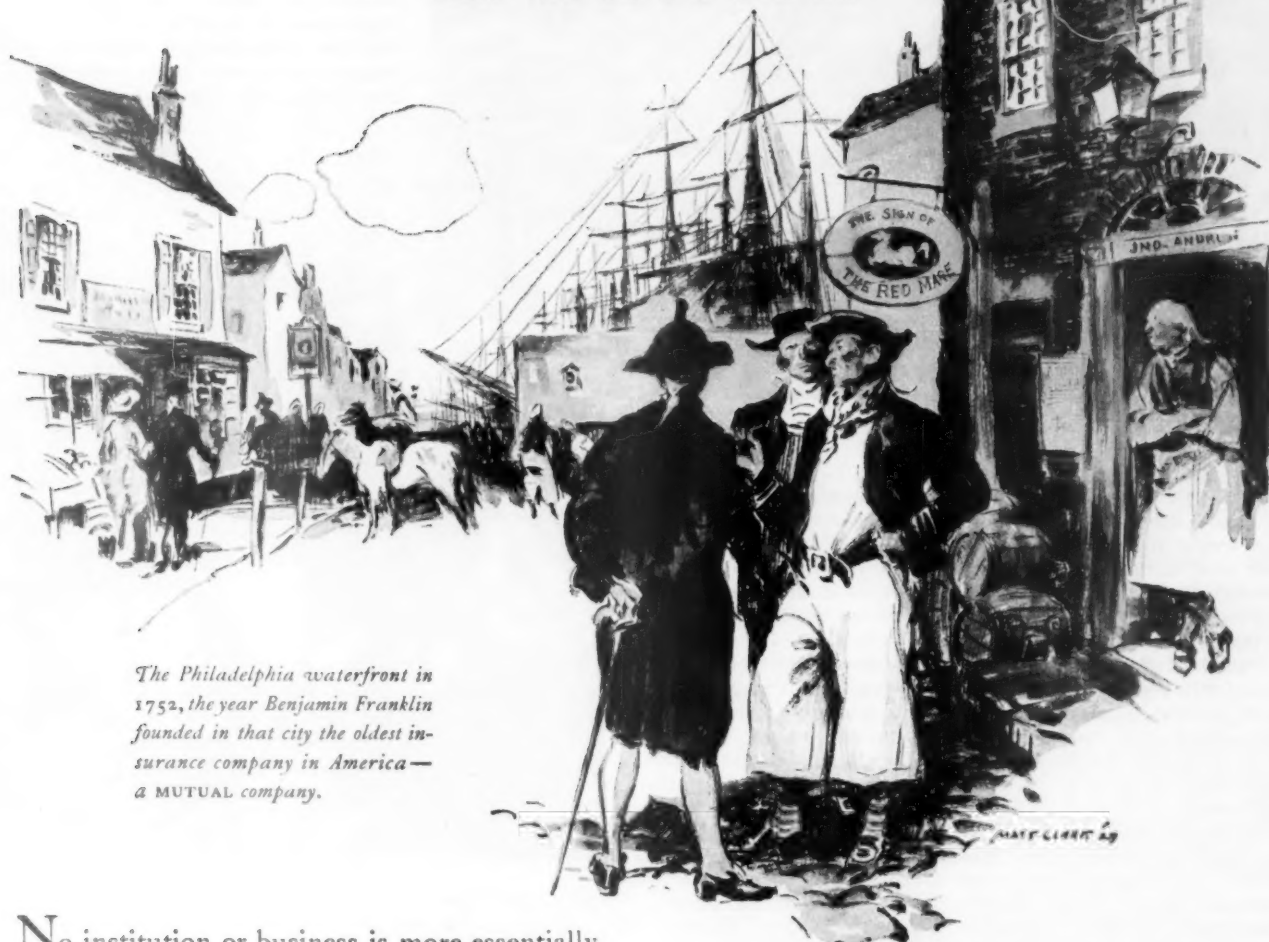
REPRESENTATIVE PATMAN has proposed further federal legislation to restrict retail trade. He said to the Associated Grocery Manufacturers, meeting in New York City:

The issue is: "Shall a corporation be permitted to engage in retail distribution in more than one state?"

I am ready to work with the people who believe that the kind of business which has built this country should be preserved and protected by making it unlawful for any corporation to engage directly or indirectly in or be interested in retail distribution in more than one state. If such a law were enacted it will then be left to the legislature in each state to determine whether chain stores should be permitted in each state.

It has been observed, however, that this is by no means all of it. If chain stores are ruled out of one state, for example, then that state's citizens must be forbidden to cross the state line, to buy goods from the chain store in a neighbor state. That means passports, *permis de séjour*, *cartes d'identité*, and all the fun and games the folks have in Europe.

IN THE *American* *Tradition*



The Philadelphia waterfront in 1752, the year Benjamin Franklin founded in that city the oldest insurance company in America—a MUTUAL company.

No institution or business is more essentially and typically American than *Mutual* fire and casualty insurance.

Founded before the signing of the Declaration of Independence, the basic principles of *Mutual* insurance reflect the spirit of colonial America. Born at a time when honesty, sincerity and helpfulness between men were essential almost to existence itself, *Mutual* insurance has adhered to these fundamentals for nearly 200 years.

Policyholders in a *Mutual* fire or casualty company are assured of full protection plus

a sizeable saving at the end of each year.

The members of the American Mutual Alliance are selected leaders in the fields of *Mutual* fire and casualty insurance. The seal of the Alliance identifies a sound, ably managed, *Mutual* organization.



THE AMERICAN MUTUAL ALLIANCE

919 North Michigan Avenue, Chicago, Illinois

THE NATIONAL ASSOCIATION OF
MUTUAL CASUALTY COMPANIES

THE FEDERATION OF MUTUAL
FIRE INSURANCE COMPANIES

The "Bugs" in Wage Control



EWING GALLOWAY

While working on one piece of furniture, this worker's machine duplicates his work on seven others and gives standardized quality production. There is a vast difference between the effects of increases in wages brought about by legislative fiat and those brought about by greater productivity due to modern processing methods such as this

IRRRESPECTIVE of any further modifications that might be made, the proposed Labor Standards bill is undesirable and would have the object of establishing federal control over vital elements of employment relations in private enterprise, declared a representative committee of the Chamber of Commerce of the United States in a recent report submitted to the Board of Directors.

The Committee's report stated that the objective of the bill would still remain the same whether hours and wages were fixed uniformly by statute or were made subject to modification upward or downward by a federal tribunal. It is of little moment whether a federally-established maximum work-week were to be 30, 40 or 48 hours, or whether a minimum wage were to be set at the rate of 25 or 40 cents an hour.

Whatever form of federal control might be established, the initial provisions of the statute would inevitably be modified; specific hours and wage rates would be repeatedly changed upon exertion of pressure from minority groups. The ultimate result would be that, in order to offset unanticipated and unfavorable consequences, new and more drastic kinds of federal regulation of other essential factors of business operations would be attempted.

Working conditions constantly improve

NAURAL processes are constantly resulting in better working conditions as pointed out by the Committee's notation that business enterprises are in constant competition with each other in recruiting and maintaining the best qualified workers and this form of competition alone, wholly apart from the humanitarian considerations that have prompted employers to sustain employment and wages at the highest practicable levels even during depression periods, exerts a potent influence in bringing about constant betterment of working conditions.

In answer to those who favor the Labor Standards bill because it will allegedly protect the costs of employers in one state from those who pay lower wages for longer hours in another, the Committee points out that, for some kinds of employees, 44 states have already enacted laws regulating hours of work and 24 have statutes regulating minimum wages. In this respect attention was also called to a recent report of the director of Labor Standards of the U. S. Labor Department which stated that there was ample reason to expect further improvements in state legislation of this type.

Belief that government control of wages and hours would increase purchasing power was held false by the Committee report which stated that there is a vast difference between the effects of increases in wages made possible by greater



HAROLD M. BROWN

Can a Tribunal in Washington, D. C., determine that this crew in the Northwest is entitled to more or less pay than one in the Southeast?

productivity and increase in wages brought about by legislative fiat. The capacity of an enterprise to absorb the higher labor cost and the productive ability of the persons receiving greater earnings cannot be ignored. Higher selling prices are certain to result and the consumer will carry a great share of the burden.

Pointing out that it was the impossibility of effective administration and enforcement of the NIRA that brought it into destructive disrepute, the Committee report says that the Labor Standards bill would require an administrative task far exceeding the problem of administering NRA codes and would make such an undertaking wholly impracticable.

Moreover, proposals for federal legislation that would enable any state to prevent the use or sale within its borders of goods made elsewhere under labor conditions inferior to those prescribed by its own statutes would be equally as objectionable as direct federal regulation. Such legislation would produce endless confusion. Each of the 48 states could then set up what would amount to tariff barriers against the products coming from other states. Concerns doing extensive interstate business would be faced with a multiplicity of diverse legislative and administrative regulations. A measure of this sort would disrupt the orderly processes of interstate commerce to the general public detriment.

A copy of the report may be obtained by writing to the Department of Manufacture, Chamber of Commerce of the United States, Washington, D. C.

Speaking of Finance

By EDWARD H. COLLINS

Associate Financial Editor, the New York Herald Tribune

ONE of the theories most widely disseminated to explain the boom and collapse in prices—and subsequently in business—of recent months is the “monopoly price” theory. This has been put forward conspicuously by several Administration spokesmen since the first of the year, its most convincing exponent being Leon Henderson, one of the Government’s staff economists.

Mr. Henderson’s thesis may perhaps be classed as a variant of the “oversaving” explanation of business cycles, with which have been associated such names as J. A. Hobson, Professor Fisher, Professor Cassel, and, with numerous reservations, J. M. Keynes. As Mr. Henderson sees it, certain monopolies raised prices at a rate out of proportion to the rise in costs, retained excessive profits and, by so doing, brought on a situation in which the purchasing power of the country was insufficient to absorb the volume of goods produced at the prices asked. The result, finally, was a general collapse of prices and a severe recession in business.

It is a curious fact that, at the same time, government experts have been stressing oversaving as the principal element in the most recent inflation, another important group of economists has been coming to the contrary conclusion that undersaving—or lack of capital—was at the bottom of it. Included in this group are such men as Alexander Sachs, Donald Woodward, Robert B. Warren, and Lionel D. Edie.

Without oversimplifying their position—because they do not all approach the problem from precisely the same standpoint or agree on each detail—it may be said that they believe that one of the most important immediate causes of the boom and depression was the creation of “bottle-necks” in industry which impeded production and

prevented satisfying the increasing demand for goods. This, they conclude, resulted in the inflationary price rise that always accompanies an unsatisfied demand. Behind these so-called “bottle-necks” they see as the villain of the piece the capital market—or more properly the absence of a capital market.

Corporate finance, new style

DONALD Woodward, speaking recently before the American Statistical Association, on “Changes in Capital Finance,” discussed the researches of Mr. Sachs and others to show that corporations have been financing their needs during the last four years almost without a capital market in the accepted sense. He observed:

A functioning capital market which will provide funds in volume to business seems to me a necessary condition to any consequential improvement in business capital outlays, which means business activity, for some time to come. This does not mean that business cannot cease to

decline or that it cannot score some improvement without a new issue market. . . . But I think that the evidence is strong that this country will not see what we will agree is prosperous business for a number of years unless a good market for new capital issues is present.

Mr. Sachs has taken 26 representative corporations and analyzed them in respect to the sources of funds used for the maintenance and upbuilding of capital assets. During the years 1933 and 1934, Mr. Sachs finds, the capital expenditures of these companies were much less than the sums they had reserved for depreciation. They had income deficits, were repaying money to the bank. Inventories, receivables, and current liabilities, rose.

In 1935 gross plant additions and depreciation charges were about an offset, obligations to the banks were still being repaid, there were substantial retained earnings, and working capital diminished. In 1936 gross plant additions substantially exceeded the amount reserved for depreciation, undistributed profits fell, and working capital diminished. Or, to sum up:

In 1933 and 1934 business about held its own and probably accumulated some funds. In 1935, 1936 and early 1937 capital outlays, however, rose sharply, taking from working capital all the amounts reserved for depreciation and causing working capital to diminish considerably. Experiencing a working capital and cash position which was the poorest in many years, the corporations found themselves in a capital market where replenishment of funds was extremely difficult, if not impossible. The result was that capital expenditures declined violently. Instead of a capital shortage such as that which usually comes at the peak of a boom, there was thus created a capital shortage which played an important part in producing the boom and its



Doorstep Baby

HERALD TRIBUNE SYNDICATE

sequel, the price collapse. Here was a situation, apparently, when, having used up their own working capital, these corporations had no outside recourse. It was in sharp contrast with the situation in the 'twenties. Then the capital market was responsible for a large share of the conservation and expansion of plant.

What are the chief reasons for the inability to finance—not merely to borrow, but to float equity issues—in the present capital market?

First, perhaps, is the fact, as Dr. Burgess has recently reminded us, that money is "cheap" but not "easy." The rates for short money and for prime bonds are among the lowest in history, as Burgess notes, and yet, "because of a feeling of uncertainty as to the future," the position of the

borrower is scrutinized with the greatest care, and money is really not easy except to prime borrowers. In other words, the prerequisite of a good investment market—confidence in the longer future—is wanting.

Second, is the widely accepted probability that, for some time to come, industry's earnings are likely to be badly cramped by the new costs that have been imposed in the way of shorter and more rigid hours, on the one hand, and mounting taxes on the other. Dr. Henderson has pointed out that a selected list of the stronger corporations earned at the rate of 13 per cent for the first nine months of 1937. But neither these corporations nor the nine months are typical.

The latest statistics of income show

that, over the ten-year period, 1926-1935, for example, the combined income of all reporting manufacturing concerns averaged but 2.80 per cent on their net worth. Their net income before taxes averaged \$2,242,000,000, and their taxes averaged \$942,000,000. It has been estimated that the undistributed income tax would raise some \$1,600,000,000 instead of \$942,000,000. What this means in additional forced disbursements in dividends can only be guessed at, but it certainly means a large amount.

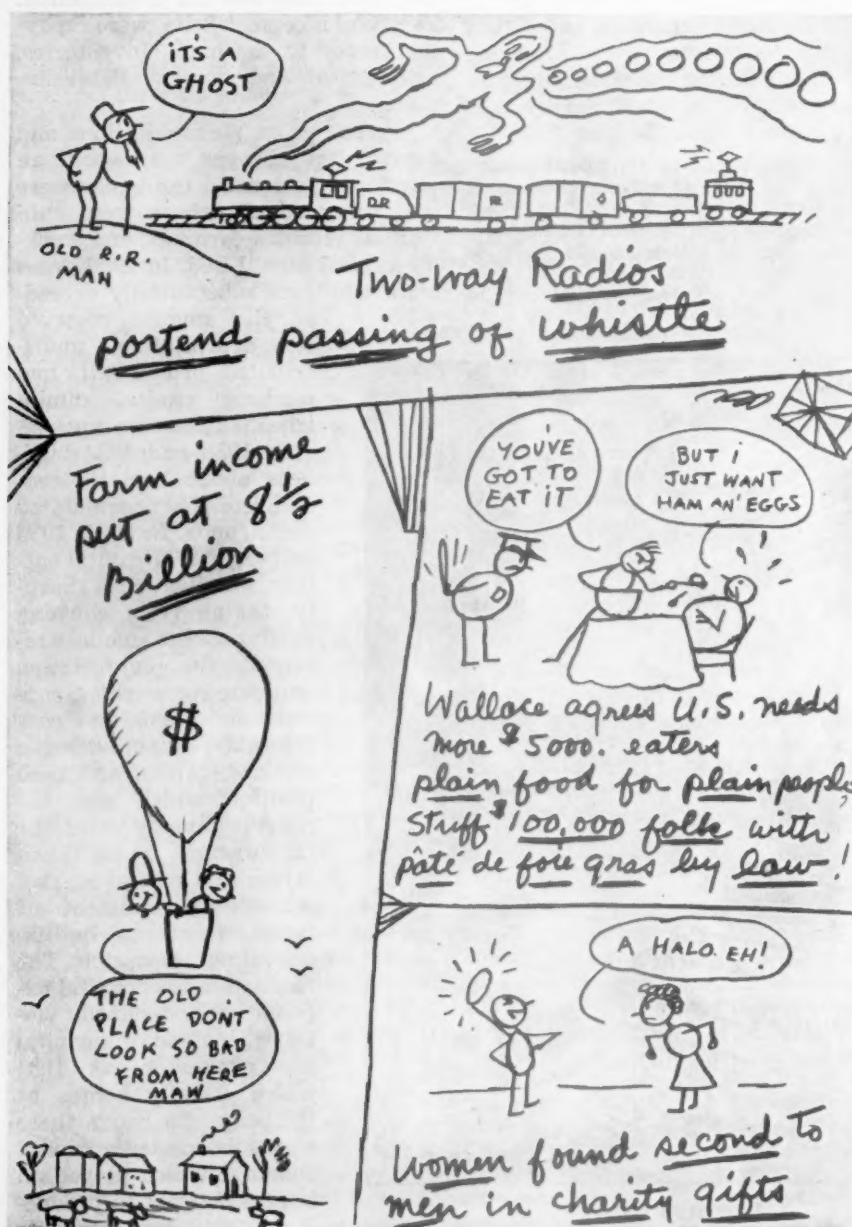
When, on top of this, one adds the contribution of industry to social security—a figure rising from \$950,000,000 for 1937 to nearly \$2,000,000,000 in 1949—one reaches a veritably staggering total burden.

The impaired profit margin among the important capital goods industries, resulting from these increased costs, has been felt particularly, of course, by the railroads, utilities, and urban real estate. The railroads and urban property now have almost no earning power on the equity, and in many cases they are not even covering their fixed charges. The utilities are in a stronger position, but lower rates and higher costs have begun to cut into returns. In short, little capital is being formed, and the industries that need it most are those that are least able to attract new capital.

Third, and most important perhaps, is the change in the type of capital market that has resulted from the extremely easy money rates, on the one hand, and, on the other hand, the combination of high surtaxes and tax exempt bonds. The savings of the small investors are tending more and more to be channelized, as a result of the former, into the highest grade corporate securities; the fortunes of the wealthy are tending, even more pronouncedly perhaps, to find a haven from high taxes in tax free issues. While there has been no market for equities to speak of recently, both high grade corporates and tax exempts have held up well.

It is a curious situation, this, in which we are developing, through our tax system, instead of a class of give-and-take investors among the rich, a class subsidized in perpetuity so long as they put their funds into Governments and not into corporations. We have placed a premium on the idle rich, as against the working and wealth producing rich. Ferdinand Lundberg's "Sixty Families" may already be "dated." Those aggregations of capital which he sees as controlling our great industries will, if present tendencies prevail, have become before long the comfortable pensioners of the American taxpayer.

From a Business Man's Scratch Pad . . . No. 22



Hot Dogs—A National Dish



The hot dog appeal is universal. No outdoor entertainment is complete without a hot dog stand

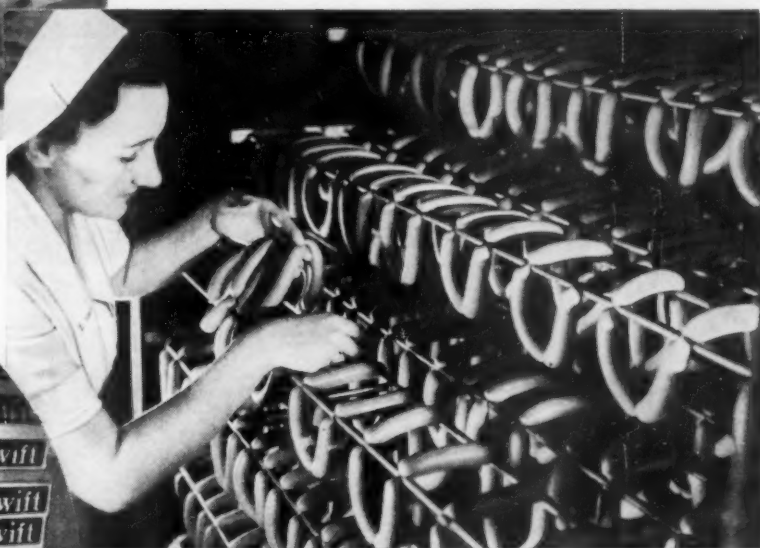


KAUFMANN & FABRY CO.

Selected cuts of beef and pork are blended and cut into a fine emulsion



KAUFMANN & FABRY CO.



KAUFMANN & FABRY CO.

Left: Each frankfurt is inspected before it is packed in cartons. Above: After meat is forced into casings, it is linked into uniform lengths and placed on smoke sticks

IT HAS been estimated that one and a half billion individual wienies—frankfurters—hot dogs—or whatever you care to call them—are produced in the United States alone.

Among the unsung heroes of the hot dog world is Harry M. Stevens, caterer at the New York Polo Grounds who, back in 1898, when Hobson was the hero of America and Dewey was the star at Manila Bay, conceived the idea of serving steamed frankfurters in hot rolls. At about the same time, "Tad" Dorgan, the cartoonist, coined the name, "hot dog."

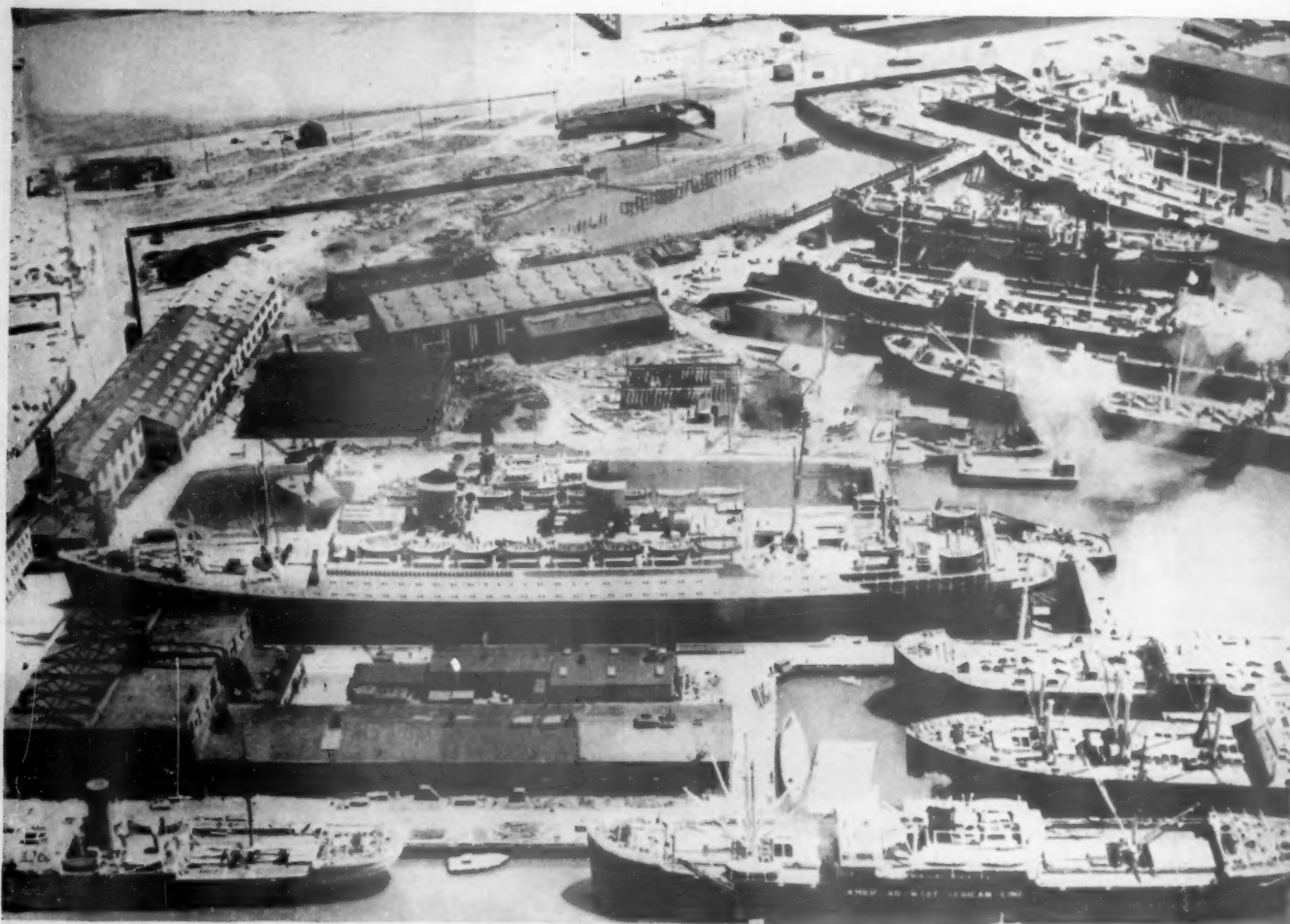
There are no accurate census figures covering the number of hot dog stands in America today. But one authority says there are at least three for every 1,000 population. That means there are more than 375,000 hot dog stands doing

business and selling 80,000 miles of hot dogs—a string of frankfurters long enough to encircle the earth three times with enough left over to encircle the moon. Over a billion hot dogs are dispensed over the counter each year. Another half billion are eaten in American homes.

The hot dog eating habit, once ridiculed in foreign countries, today has a firm hold in England, France, Russia, South Africa and Australia. It is as popular at Ascot as at Coney Island.

The hot dog is primarily a small, spiced beef and pork sausage. Smoking adds the final touch. The casing may be either a natural meat product or, more recently, a chemical product of the cellulose family. Natural casings for frankfurters are supplied by sheep and are the second most important product of the industry in many sheep raising districts.

The concessions director of the 1939 Golden Gate International Exposition estimates that more than 34,000,000 hot dogs will be popped into the mouths of their visitors and that it would take 4,680 head of cattle to supply them. So far, nearly 100 persons have made applications to dispense hot dogs at the exposition.



We are about to start again on a carefully planned program of ship building

Aid for the American Merchant Marine

CONTINUED activity in making more widely known the needs of our merchant marine and the importance of adhering to an orderly and systematic program in meeting those needs are advocated in a recent report of the Merchant Marine Committee of the Chamber of Commerce of the United States.

The Chamber Committee recommended that full support be given to the Maritime Commission's program for a systematic and non-spectacular rehabilitation of the American Merchant Marine.

Included in the recommendations of the Chamber's committee, under the chairmanship of James A. Farrell, are the following:

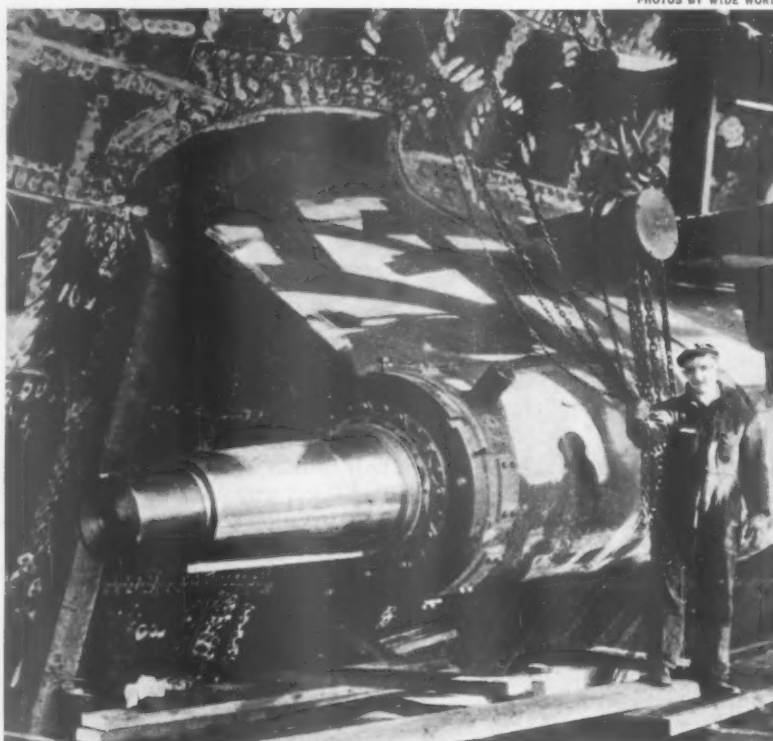
It is gratifying to note that the Commission will exert every reasonable effort to attract private capital to the shipping industry. Changes in the law to that end should be supported.

The Commission has made it clear that if private capital is to be attracted to the shipping industry, assurance must be given that the Government's attitude on the matter of subsidies will be fair and consistent irrespective of changes at any time in the national administration; that American operators on essential trade routes will, as a matter of national policy, be placed on a parity with their foreign competitors; and that government supervision will not interfere with the flexibility of operation necessary to an industry such as shipping.

The expensive and unsatisfactory experience with government-owned shipping in the years following the World War argues strongly against government ownership and government operation.

Since the Commission is itself opposed to any spectacular ship-building program, and since it already has written assurances that 60 new vessels will be constructed over a five-year period, by the nine companies reasonably assured of continued subsidies under the present Act, provided certain amendments are made, it would appear to be a wise policy to continue on the basis of encouraging private construction and private operation, without committing the Commission definitely to any program of government construction.

PHOTOS BY WIDE WORLD



Propeller shaft of a modern liner. Committee urges private operation of ship lines and construction in American ship yards

The Test Tube City Rejects the Union

By ROBERT MOREHEAD



Akron Sheriff Flowers swears in Former Mayor Sparks as deputy to help prevent strike disorders



When rubber workers attempted to force the closing of ten cent stores these girl employees who did not wish to strike remained inside to elude the picket line



Police guards attempt to force a path through the picket lines so that workers who wish to return to their jobs may do so

AKRON again is proving its continued right to the title, "test tube city" in the labor arena.

The result of its November election gives an excellent hint as to the direction in which both the political and economic winds are blowing.

Akron decisively defeated the C.I.O.-Non Partisan Labor thrust for control of its city hall. But the election was not the first repulse of mass industrial unionism in that city.

The cold analytical fact is that the "one big union" idea had been slipping in Akron from the early part of 1937.

The C.I.O. movement reached its zenith of power and affluence in the rubber capital in the fall and winter of '36, and began to falter and make

missteps with the coming of the new year.

The Akron mayoralty campaign saw the C.I.O. issue more closely joined than in any other city in the United States, despite the spirited clashes in Pittsburgh, Detroit, Youngstown, Canton, and even New York.

For two years the C.I.O. union leaders had been on the aggressive in Akron. Their moves affected virtually everything touching Akron civic life. They had made open assaults on the Community Fund, threatening for a

time to institute their own social service program. Their publicity and propaganda division did what even the most antagonistic opponent admitted was a thoroughgoing and effective job.

But, with the approach of the municipal election, the business community went on the aggressive. It took the lead in the fight. It completely abandoned its defensive mood and carried the counter-assault to every doorstep and every household in Akron.

The central unity of the campaign was carried by a series of paid adver-

tisements on behalf of the reelection of the mayor, who was under attack by the labor forces.

These advertisements flatly charged that the C.I.O. had picked Akron to reap a rich revenue because of its high hourly wage scale.

They also charged that the union leadership had created strike and sit-down conditions so disastrous that Akron rubber plants had been forced temporarily to take production elsewhere; that the advent of the C.I.O. had meant fewer jobs, fewer hours, and sharply reduced wage earnings; that C.I.O. leaders could not point to one civic benefit as the result of their concentration upon Akron industrial concerns.

The campaign for reelection of Mayor Schroy was frankly directed to the preservation of the business life of the community, and this was predicated upon the preservation of Akron's industrial life.

Direct appeals were made to business, professional and property owning groups.

The doctor, the lawyer, the dentist, the teacher, the insurance man, the

real estate broker, all were reminded that their income bore a direct relationship to the gross community income.

Home owners were told that, unless Akron's industrial life was sustained, their property would be seriously depreciated. The campaigners motorized their voting campaign to the greatest degree ever known in the city's history.

Voting drew a large turnout

THUS on each side there was an intensive checking of known sympathizers, to make sure that a maximum strength was reported at the polls. The 80,000 vote turnout exceeded by almost 15,000 the previous high vote in an Akron municipal election, and matched the city vote turnout of the 1936 presidential election, an all-time high.

In other words, Akron's decision was the decision of a community exercising its deliberate judgment in the fullest flowering of the democratic voting process.

Akron understood the issue to be whether the C.I.O. would take over City Hall, its police force, and its in-

dustrial future. It said decisively that "It shall not be."

As already pointed out, the election defeat was not the first, but the climax of a series of reversals for the union.

To find the seed for the change in trend in Akron, it is necessary to turn to the economic—and therefore the manufacturing—arena.

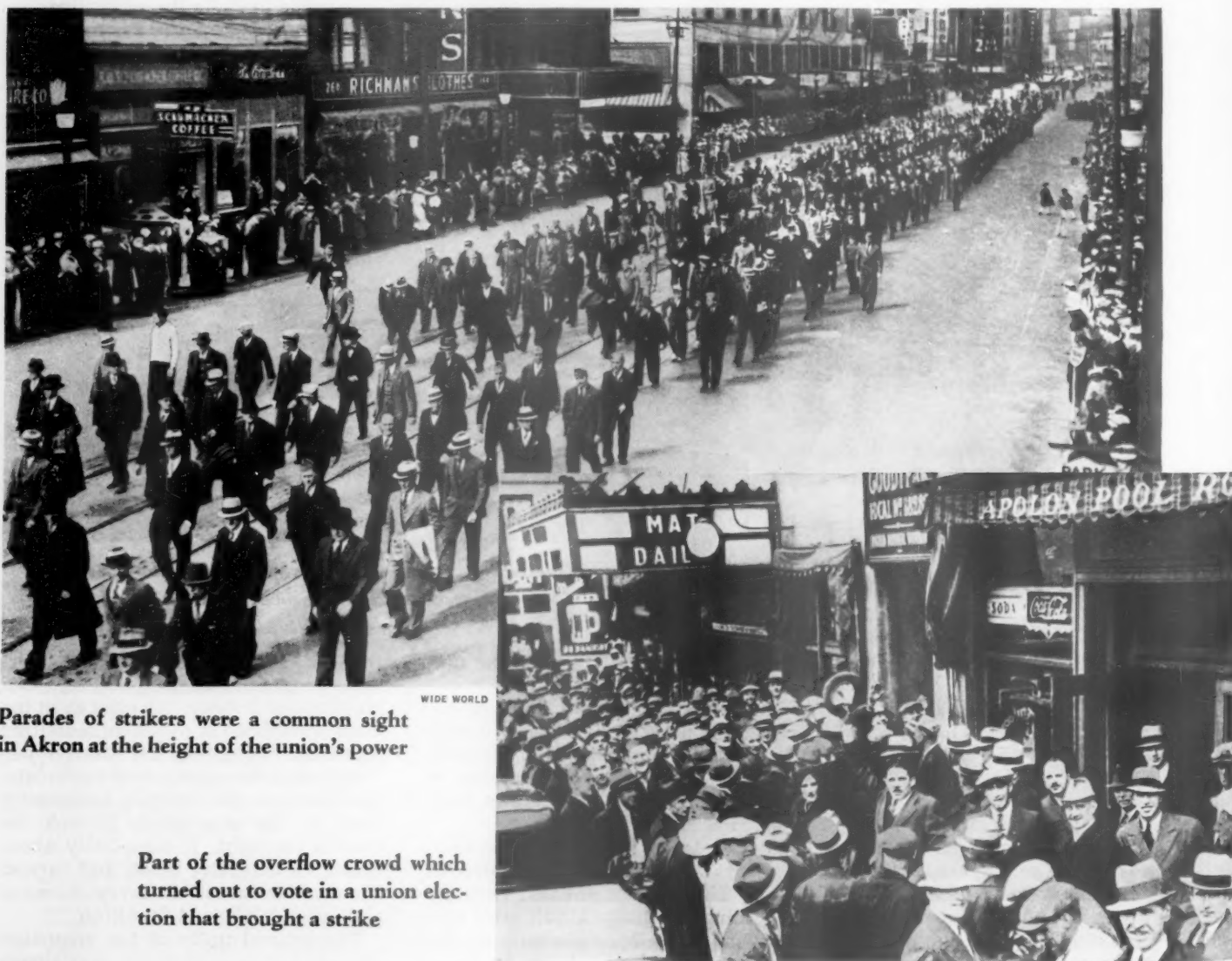
It is probable that the pivot upon which the tide began to shift was the inauguration by Akron rubber industries of what its newspapers termed the "management sit-down."

Just as the strike has its counterpart in the lockout, so Akron managements came to recognize that a labor sit-down must of necessity be met with a management sit-down.

Until the management sit-down came into play, the union had had a spectacular heyday in Akron.

The slightest grievance in a minor department was likely to produce a sit-down spreading from that department to an entire plant, and frequently to all plants of the company affected.

Without doubt, the instigators of these sit-downs sometimes were communists. Union leaders themselves

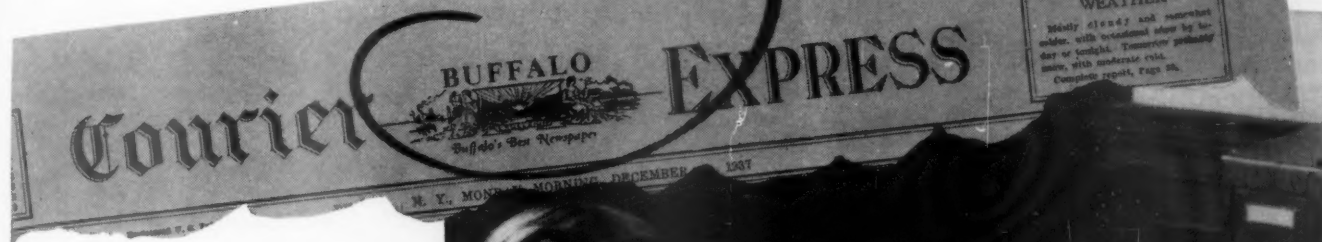


Parades of strikers were a common sight in Akron at the height of the union's power

Part of the overflow crowd which turned out to vote in a union election that brought a strike

ONE MACHINE DOES WORK OF TWO

for



Remington Rand "85" handles circulation accounts receivable and payroll accounting

"Versatility is one reason why we chose Remington Rand "85", says Mr. E. C. Murphy of the Buffalo Courier Express." "This machine's never idle—we can switch it from circulation billing to payroll accounting at a moment's notice. And it saves us hours of work every month on both jobs."

Posts 3 Records at once. Model "85" prepares newsdealers' statements, register sheets and ledger sheets in one rapid posting operation. Figures are complete—electrically printed and automatically proved by the machine—at the close of each working day. As a result, the Courier Express can control production of copies more economically. Also, statements are ready the first of the month instead of the fifth or sixth.

Social Security data absorbed. Using the same machine for payroll accounting, the Courier Express handles Social Security deductions almost effortlessly. Here again Model "85" prepares all related records simultaneously. No work wasted and no errors due to mis-copying of figures.

Write for free analysis. Learn how Model "85" can help your business by saving time on all records and making them more useful to you. Phone or write for free accounting analysis. Remington Rand Inc., Dept. 22, Buffalo, N. Y.

Complete visibility of the writing line is one of nine Model "85" features. Keyboard is completely electrified for sharp, clear copies of all records.

VERSATILE MODEL "85" IS ONLY MACHINE WITH ALL THESE NINE FEATURES

- 1 Complete electrification of all alphabet and numeral keys and of carriage.
- 2 Complete flexibility of registers, providing extra accumulations without rebuilding or replacing machine. Registers may be added up to full carriage width.
- 3 All registers visible for columnar accumulation and cross-computation. All registers equipped with direct subtraction, for contra-entries within specific column, and instant corrections.
- 4 Completely electrified automatic tabulation from column to column.
- 5 Complete visibility of writing line, permitting easy checking of every entry.
- 6 Automatic line proof of each individual entry provides instant audit.
- 7 Independent control of each related form to be prepared simultaneously.
- 8 Uniform legibility of all records.
- 9 Made by Remington Rand Inc., Buffalo, New York, the only single manufacturer who can supply complete accounting systems, equipment and assume complete responsibility.

Ok.. it's from **Remington Rand**

MANUFACTURERS OF ALL TYPES OF OFFICE MACHINES AND SYSTEMS EQUIPMENT, PROVIDING COMPLETE INSTALLATION AND FULL RESPONSIBILITY.

were frequently powerless to cope with the sporadic sit-downs.

As a matter of fact, once a union gets on its feet, has officers and a negotiating committee, the sit-down is in poor favor with union officials because a sit-down short-circuits the standard union negotiating method and throws the sit-downers into direct negotiation with the management. This leaves the union negotiators out in the cold.

When Akron managements began to realize this, and that they would have more or less tacit support from union officials, they began to call the signals.

From that point forward, Akron has been a different community. The November election was merely another proof that an enormous change had come over this great industrial city.

At the peak of the mass union movement in Akron, membership rose to between 70 and 85 per cent in some of the major shops. Of course, at least 50 per cent of this membership consisted of the "band wagon riders" who joined because of threats, terrorism, fear of harm to their persons or family, plus those who joined largely because they thought the C.I.O. was going to be all powerful.

The unionists had no issue on wages, none on hours, none on working conditions.

Their single and sole demand was for a written contract that would include a closed shop.

Fortunately for the company, from the standpoint of public reaction, Firestone officials had offered union leaders a signed contract covering wages, hours, working conditions, and methods to negotiate grievances on the first day of the "strike."

That left it up to the union leaders to create an issue that would hold the loyalty of the strikers and win the



Pickets of transportation workers and rubber plant employees surround the carbarns to enforce a strike which tied up transportation throughout the city

From that moment on, whenever one, two, five or a dozen workers in any department staged a sit-down strike, management immediately closed down the entire factory.

This tactic quickly brought the bulk of workers to their senses.

These workers realized that they—for the most part without grievances—lost wages whenever a few of the disgruntled staged a sit-down.

Likewise they lost wages when management closed down plants, and they recognized the justice of management's position.

Thus they came to realize that a comparatively few trouble makers were penalizing them, interfering with their livelihood, and endangering their jobs.

Many things have happened since inauguration of that eventful policy, but the vital point is that management gained a strategic advantage; got out of a defensive position.

In fact, several rubber managements reasoned that, since the Wagner Labor Act was on the statute books, it might be best to let the C.I.O. achieve its fullest possible strength without resistance and thus have the issue quickly joined.

When the C.I.O. membership rose to such a high peak, and its bureaucracy necessarily was increased, the blundering of inexperienced leaders began to take a heavy toll.

Last March 11, a small sit-down hit an unimportant department at the Firestone Tire & Rubber Company. Five workers were involved. Immediately the Firestone management closed the entire plant. Three days later the C.I.O. leaders termed the impasse a "strike."

Thus began the eight-week Firestone Tire & Rubber Company strike, which was the first major disaster to hit the mass or "one big union" program in Akron.

sympathy of the public for a closed shop demand.

The Akron public distinctly felt that management had gone more than half way and that the strike was a mistake.

Workers in the plant also quickly began to feel that the strike had been a mistake and that they had been deluded by ambitious leaders.

In the end, the conditions which the union accepted were identical with those which the management had offered at the beginning of the strike, and thus it was obvious to the Akron public that the Firestone workers as well as the whole community had suffered needlessly for two months due to blundering leadership.

In other words, the Akron public was perfectly willing to see strong unions but sympathy quickly ebbed when the demand extended to the closed shop.

One of the first results of the Fire-
(Continued on page 91)



Japanese trellis method. Frames carry strings of oyster shells on which seed is caught at high tide

Pacific Oyster Crop Increases by the Acre

THE oyster industry of the Pacific Northwest has jumped its production from 500,000 to 5,000,000 bushels in five years. Oyster growers predict that, within another decade, there will be a 20,000,000 bushel year.

About ten years ago the Pacific Coast oyster industry was threatened with extinction because of excessive harvesting and failure to return old shells to the oyster beds. The empty shells are needed to provide a "homesite" or "cultch" to which the oyster larvae may attach themselves.

Unlike the East Coast oyster, which grows in deep water, the native western oyster thrives on exposed areas. When the tide is out, the oysters are exposed to the sun. The grower of native oysters discovered that, by surrounding his beds with dikes, he could maintain a few inches of water over the growing bi-valves when the tide was low. After the dike is built, the farmer plants his ground with clean shell or "cultch." After the seeds have attached themselves to the empty shells they are moved to other beds where they lie for four years before harvesting. The building of dikes and improvement of bottoms cost from \$1,000 to \$3,000 an acre, but the native oyster was saved from extinction and marketed at a profit by means of this treatment.

However, the big impetus to northwest oystermen came from thorough experimentations with the Japanese or Pacific oyster which had been introduced to these waters about 1905. Hardier and easier to cultivate than the native or Olympian oyster, it thrives on a variety of grounds. Even exposure to hot sunshine or freezing temperatures at low tide apparently has no effect on its propagation.

The seed is imported from Japan at a cost of from \$3 to \$4 a box of 20,000. Upon arrival at its destination, the seed is unloaded to scows and at high tide it is

shoveled into the water. The oyster man is then kept busy separating clusters and scattering the oysters on the beds so that they are able to feed effectively until the oysters are mature. Harvesting is done on a large scale. Huge, perforated, galvanized iron containers are dropped on the oyster beds at high tide. The harvesters gather up the oysters at low tide and throw them into the containers. During the next high tide, the containers, marked by buoys, are pulled aboard a derrick scow and towed to the cannery.

On the Pacific Coast there is no state control over oysters. Every grower owns his own beds and, save for rigid state inspection as regards sanitation, has complete liberty to operate his oyster farm as he sees fit. Threatened with the loss of their business, Washington state oystermen fell back on their own resourcefulness to restore and improve the oyster industry. Research and diligent application of their findings brought more and better oysters as well as plentiful markets.—ELSIE E. SCARLETT



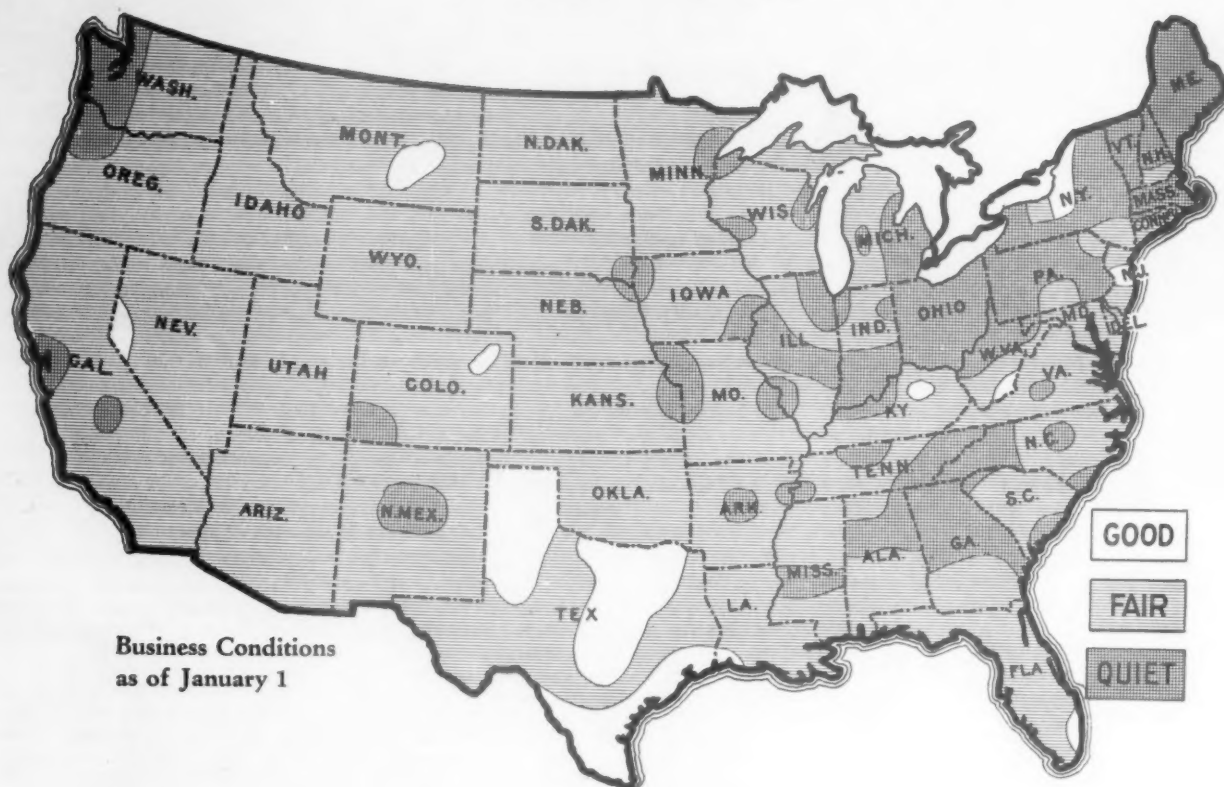
Stack of shells at Willapa Bay, Washington, where the Japanese oyster grows to large size in 18 months



A Washington oyster farmer tends his crop during low tide—keeps his oysters evenly distributed

The Map of the Nation's Business

By FRANK GREENE



DECEMBER saw the trade recession, first clearly visible in September, continued to the year's close. Holiday buying, perhaps not quite as active as a year ago, helped to cushion the fall to some extent.

Attending and part of the downward sweep in business, industry generally retrograded, unemployment increased, collections slowed, carloadings and steel production dropped to the lowest in three years. Automobile production was restricted, and failures increased as the year drew to a close.

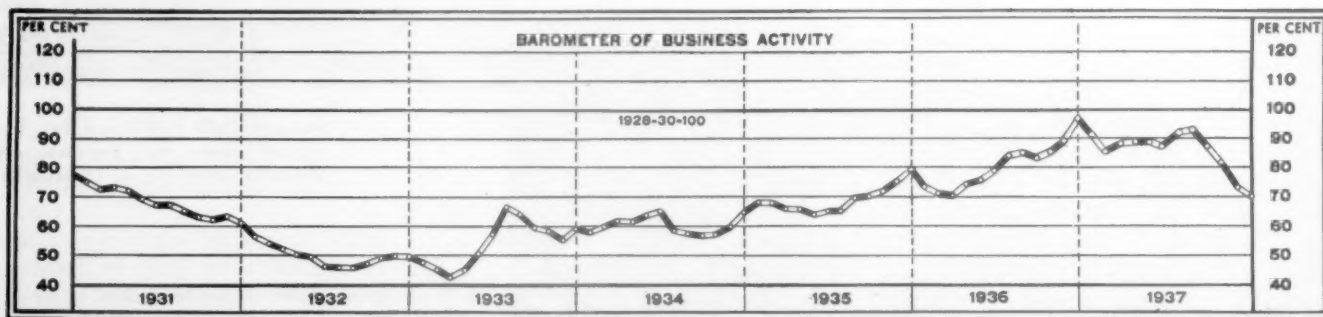
A disposition to accept the situation was generally manifested by labor, except in the case of North Pacific coast lumber workers and ship hands.

In agriculture, the largest cotton outturn on record and the bumper crops of grain contrasted sharply with the short yields of the preceding year. Marketing of crops was slower, and the downward readjustment of prices from the higher levels of 1936 continued.

The darkest Map of the year reflects the slump in trade and manufacturing in the past four months



The map of last month



BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

The less abrupt decline in the December chart line indicated a slight trend toward levelling off

Something for America to think about

THE brilliant part played by the American railroads in building the nation is a story known to every schoolboy.

But how many people realize the part which the railroads continue to play in the nation's welfare?

The vast empire of the west, opened by rail transportation, still lives and thrives by the flow of its crops and manufactured products to a nation-wide market. No other form of transportation could do this job.

Over the country as a whole, the railroads handled 13 $\frac{1}{4}$ tons of freight for every man, woman and child in the United States in 1936—and did it so smoothly that few people realized what it would be to have this vital service impaired.

Within the past four years, the cost of railroad operation has skyrocketed, due to increases in wages and taxes and in the prices of fuel and materials.

Revenue has steadily declined, to a point where the railroads receive an average of less than 1¢ for hauling a ton of freight a mile.

Rail service, of course, will continue. But to maintain



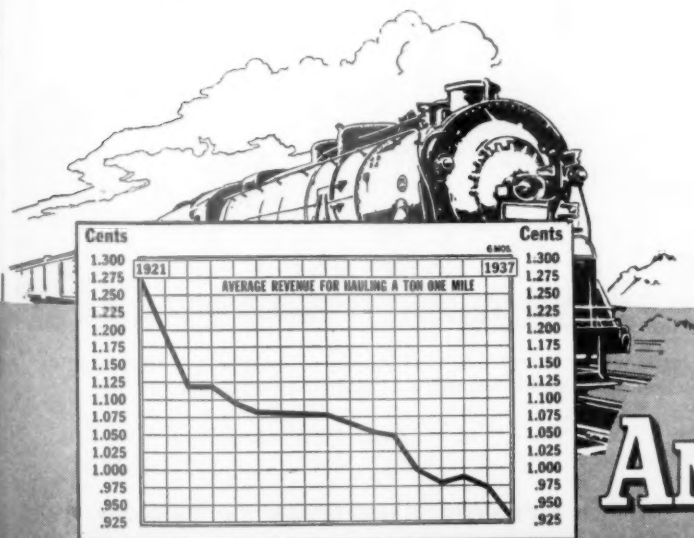
"I consider this among the most important acts of my life; second only to my signing the Declaration of Independence, if even it be second to that." Charles Carroll of Carrollton, at the laying of the "first stone" of the first commercial railroad in the United States, July 4, 1828.

its present high level of excellence, the railroads must have additional revenue.

The Interstate Commerce Commission, in its rate decision of October 22, 1937, recognized this situation by such statements as this:

"From the facts of record no other conclusion is possible than that the net earnings of the railroads are now inconsistent...with the conditions necessary for the proper conduct of the public service of railroad transportation by private enterprise."

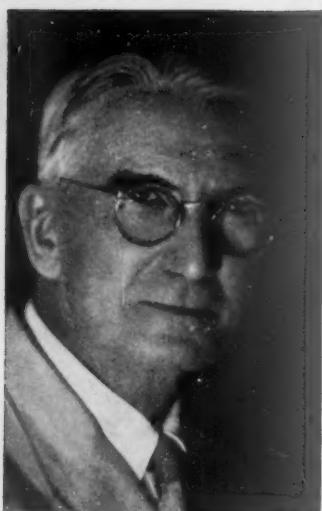
This is something for America to think about. The record of railroad enterprise in recent years, in face of lean times, amply demonstrates the ability of the railroads to go ahead, if given a fair opportunity to earn a living.



**SAFETY FIRST—
friendliness too!**

ASSOCIATION OF
AMERICAN RAILROADS

WASHINGTON, D. C.



Frank A. Chase, evangelist for more and better homes

MIAAMI BEACH, with a population of 17,000, is among the world's recognized beauty resorts and growing rapidly in both beauty and size. For the first nine months of 1937 the valuation of its building permits totaled more than \$9,000,000. Among the new homes were more than 250 that the Chase Federal Savings and Loan Association had made possible through its financing operations.

Frank Ambrose Chase, 72, president of the organization, took command in 1935 when the company had \$10,000 capital and quietly boosted that sum over the \$2,000,000 mark.

The stipulations he insisted upon when taking office were: An immediate reduction of the then prevailing interest rate to six per cent on existing mortgages as well as new business; operating upon a budget which would insure regular payment of four per cent dividends on savings after setting aside an adequate contingency reserve and a reserve for the federal insurance of the safety of each account up to \$5,000.

He improvised a substantial volume of advertising for savings investment; emphasized safety and service. The property to be financed, he decreed, should be desirable and ample security should be provided. The borrower should be competent in every way, including his record, income and net worth.

Specializing in construction loans, every possible saving was made available to the qualified borrower. One note and mortgage covered the construction as well as the monthly amortization, usually \$10 a month, including interest on monthly balances for a term of 139 months.

Disbursements during construction upon architect's estimates, approved by the owner, enabled prompt payment of all bills. Interest charged the borrower, during construction, was limited to a monthly computation of actual disbursements to date, regular loan payments beginning the month following completion.

Though known as a man hospitable to changing methods, Mr. Chase consistently adheres to a belief that mental balance is just as necessary as financial balance. He is particularly fearful of overbuilding after a boom gets started and warns all who are interested:

Miami Beach has won national prominence through its building program. Let none of us lose our heads over this fact. What has been done here successfully is no excuse to run to extremes. Let us profit by the misery inflicted by the old boom of 13 years ago. Check the impulse to overbuild. Hold on to substantial financial reserves. Anticipate emergencies. Only lend to those you know can pay. Be hardboiled to the extent of protecting everyone involved in this building program, the savings investors, builders, home owner and the laborer.

—FRANK SNAVELY.

Liberal Home Financing— Conservative Style



This 4-room frame and brick veneer house with garage attached financed by the Chase Association cost \$5,500 including a \$1,000 lot



Another group of houses was in higher price range. This 5-room concrete block stucco with garage cost \$10,500 built on a \$3,500 lot



Among the more costly homes financed by Chase Federal was this 8-room \$23,000 home built on a \$7,500 lot with a \$1,600 landscaping job

MEMO . . . for Busy Readers

- 1• Evolution of a firm 2• Visualizing food 3• A balanced city budget 4• Our own grants-in-aid 5• Handicapping car thefts 6• A man and his works 7• City milk supplies

A Century of Motters

GEORGE F. Motter's Sons, of York, Pennsylvania, are hosts at a birthday celebration which commemorates the hundredth anniversary of the firm's founding. Events of the observance began in January.

In its early years the company was known as a "manufacturer and builder of steam engines and machinery of all kinds." Later it built home heating boilers and held agencies for radiators, valves, fittings, wrenches, pulleys, gears, pumps and similar equipment. Now the company designs and builds and reconditions special machinery of all kinds. A subsidiary, George F. Motter's Sons Supply Company, was formed in 1934 for the sale of mill supplies, pumps, steam specialties and electrical material.

A brochure has been issued by the company in honor of Phineas Davis who constructed in York, in 1831, "the first coal burning locomotive built in America." It was in his shops that the Motter Company began operations.

Menus With Food Pictures

TICKLING the palate with eye appeal is an old story with food advertisers. Something of a novelty is the photographic menu envisaged by Ralph Hitz, famed hotel operator. Proposed menus, now in the experimental stage, would use photographs of seasonable dishes expertly "shot" to captivate the diner. Picture menus would be held together with a special binding to make possible daily change of illustrations. Brief, typographically smart captions would accompany each illustration. Four color illustrations are an objective in themselves.

Americans have found hotel menus too difficult to read and understand, Mr. Hitz believes. In that faith he made it a practice several years ago to use only English descriptive terms for the masterpieces of his chefs. He said recently:

"If the photographic menu idea meets with public acceptance I may have to employ chefs with a feeling for good photography as well as good food. Today's candid camera fiends may be making up the menus you'll scan a few years

from now. To my knowledge, the photographic idea in menus has not been previously attempted on a daily basis. It should prove sound to both hotel guests and the hotel management from the standpoint of appetite appeal—the former will order what they see pictured on the menu and can thus be more easily converted to the epicurean taste."

Marvel of a Debt-free City

KALAMAZOO, Mich., said to be the only American city over 50,000 population free of general bonded indebtedness, became debt-free on November 1, 1937, through a pay-as-you-go policy begun 20 years ago.

In 1918, outstanding municipal obligations totaled nearly \$500,000. Twenty-three per cent of the 1918 budget went for principal and interest charges on this debt. The tax rate had been 8.5 mills on a \$49,000,000 assessed valuation. A new non-partisan council decided to reduce the debt and its ever-recurring interest costs rather than to maintain a deceptively low tax rate by continued borrowing. Official action included: a rate boost to 13.5 mills; a detailed annual budget with strict control of appropriations and a long-term plan for municipal expenditures, building up anticipatory cash reserves.

Through depression years the pay-as-you-go policy remained in force, except for a \$295,000 bond issue floated in 1932 for emergency relief. So secure was the city's financial position that even this borrowing was retired within five years.

Economical Kalamazoo has not been parsimonious, according to City Manager Rutz, who writes in *Public Management*, journal of the International City Managers' Association. It has constructed a new city hall costing more than \$500,000; motorized its fire department; acquired a 300 acre airport, two municipal golf courses and an asphalt plant; built several bridges and improved recreation grounds; added to the city lighting plant and water works, and paid its portion of federal-city projects running to several million dollars. The tax-rate long ago dropped from the 13.5 mills of 1920. During the past ten years it has averaged 10.8 mills, and for the past four years, 9.7.

Bigger Grants to States

FEDERAL grants of unprecedented size—\$500,000,000 a year for oldage assistance alone to states are envisaged by V. O. Key, Jr., in a book on "The Administration of Federal Grants to States," published by the Public Administration Service.

His study, one of a series on administrative problems of social security, reviews past experience with grants-in-aid, which in 1936 exceeded \$750,000,000.

These grants in the main have been used to finance agricultural experiment stations, vocational education, forest fire control and public health, with the largest amount, \$436,000,000, going for emergency relief. Up to 1930 grants were largely committed to highways, but these never exceeded \$100,000,000 a year.

"The growth of the system of federal grants to states has profoundly modified our federal system," Dr. Key observes. "The intrinsic importance of the grant system as it stands, together with the probability of its future expansion, makes desirable an analysis of the problems peculiar to this province of public administration."

The study was made under auspices of the Committee on Public Administration of the Social Science Research Council.

Licenses for Auto Dealers

DALLAS, Texas, is attempting to prevent the sale of stolen automobiles, to control car dismantling and to regulate the sale of used vehicles, by enforcing a new and stringent ordinance to license dealers in new and used motor vehicles, trailers, parts and accessories.

The ordinance sets up an advisory commission of seven members, including representatives of automobile dealers, appointed by the city manager. Applicants for licenses are thoroughly investigated by police, who report to this commission, which recommends or refuses that the license be granted by the city council. Refused, an applicant may go to the council for a hearing; but this action is final and not reviewable by the courts except on charges of fraud or gross abuse of discretion.

Used car dealers pay a license of \$50 a year; sellers of used cars and parts, \$25. Itinerant dealers must, in addition, post a \$10,000 bond. Vehicles sold or exchanged by these dealers must comply with local safety requirements. Permits are necessary for dismantling of motor vehicles.

Vision of a Founder

GEORGE Westinghouse lives again in the book published by the American Society of Mechanical Engineers. Twenty contributors dimension his life and works. In 1869 he patented his idea of an air brake for railroad use. Ten years later he was concerned with the problem of putting electricity to work in the home. The transformer and alternating current were his serviceable solutions in the face of vigorous opposition.

How well he blazed other trails the

AVOID THE LOSS TO THESE DESTROYERS OF PROPERTY



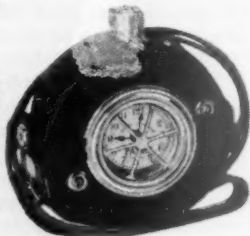
FIRE and CRIME

THE VALUE of your business is protected, in proportion to the insurance you carry. Fire insurance reimburses you for direct loss. It cannot repay loss of time, orders, sales and records that a serious fire brings. Crime shows no sign of decrease. Fire threatens all business always.

THE ELEMENT of detection that stops the occurrence of these losses is needed in every business. The simplest, most efficient way of supplying it is by watchmen, properly checked by a supervisory system.

THE SIMPLEST, most efficient way of supervising the Watchmen is a Detex Watchclock System. 80,000 Detex watchmen's clocks in 50,000 systems are the best evidence of the facts of Detex Property Protection.

CALL ON DETEX for information on a system that will fit the needs of your business, present and future, at low cost.



DETEX WATCHCLOCK CORPORATION
80 Varick St., N. Y. 4153 Ravenswood Ave., Chicago, Ill.
29 Beach St., Boston Room 800, 116 Marietta St., Atlanta



book reveals in its consideration of his interest in the well-being of his workers. In 1886 he established the five and a half day week. A few years later, he organized technical day and night schools for employees. In 1907 he founded the Westinghouse Relief Department which ever since has kept pay envelopes of the sick and injured full. Before the World War, he had set up collective bargaining and retirement pension systems.

Status of City Milk Control

FOUR out of every five communities with population ranging from 1,000 to 10,000, reports the American Municipal Association, do not regulate production or distribution of milk at all. Less than 40 per cent of the milk consumed in such communities is pasteurized. Average pasteurization in 1931 for cities with 10,000 to 25,000 inhabitants was 58.6 per cent, and for all cities over 10,000, 87.5 per cent.

Regarding steps taken by federal,

state and local authorities for sanitary regulation of the milk supply, the report points out that the federal Government lacks power to control the conditions of the production of milk except that which enters into interstate commerce. Its function at present is mostly to advise the state and local governments, working through the U. S. Public Health Service and the Department of Agriculture. The position of state governments varies.

In some cases the state itself enforces certain regulations; in others, local authorities are compelled to enforce state laws, and in still others, regulation is optional with municipalities.

A model milk control ordinance to aid city milk inspection has been available since 1923. About 700 communities, representing a population of some 18 millions, now have this ordinance, which costs, on an average, 8.3 cents per person per annum to administer. Ways of financing administration of a model milk ordinance are discussed in the report.

Shake Hands With Our Contributors

PROBABLY this is as good a place as any to repeat that the major purpose of NATION'S BUSINESS is to keep its readers informed regarding new ideas, new methods, new materials. The need for repeating this statement is brought home to us every day by letters from readers who chastise us for championing movements or policies which we were merely attempting to explain.

This month, as a single example, we publish a suggested new form of income tax designed by *Irving Fisher*. This does not mean that NATION'S BUSINESS is prepared to insist that this form of tax be adopted. It merely means that this magazine, in keeping with what it conceives to be its purpose, is presenting to its readers the views of a man who is widely known as a studious thinker in the fields of taxation and economics, and whose writings on these subjects never fail to inspire thought among others.

Another article which probably will bring us derogatory correspondence is that by *Louis Stark*, for many years labor writer for the *New York Times* and one of the best informed men in this field. In printing this contribution we are in no sense attacking union labor as a whole or any labor union. We are attempting only to give our readers an informed account of the labor situation and the reasons that situation exists.

Among our other contributors this month are *Charles M. Wilson*, a genuine farmer with a facile pen by which he frequently, in this magazine and elsewhere, augments the income from agriculture; *Birchard E. Wyatt*, co-

author with William H. Wandel of a new book "The Social Security Act in Operation." Mr. Wyatt is now acting chief technical adviser, office of the actuary, Social Security Board. He has been with the Board two years in various technical capacities. Previously he served as industrial pension specialist with a large insurance company.

William Hurd Hillyer is assistant vice president of James Talcott, Inc., factors.

Frank Purnell is president the Youngstown Sheet and Tube Company. *C. A. Crosser* is Secretary, Bureau of Municipal Research, Des Moines, Iowa.

What is coming in March

AMONG pertinent articles scheduled for next month is one that will hold the attention of all those who have watched the recent discussions on inexpensive housing. It will reveal the methods used by a private Washington company which, for many years, has been operating low-rent, modern apartments with tenancy restricted to those of modest income—and has been making a profit in so doing. The transportation situation will be considered in a discussion of the methods the railroads have used to revitalize a decreasing public interest in their services. A third feature will emphasize the need for keeping open the door of American opportunity and at the same time demonstrate the difficulty of defining a small business. It will call attention to the tremendous number of nation-wide concerns which began as local enterprises.

Living proof of an ordinary man's extraordinary success

What greater gift can a father leave his children than their mother's undiminished care? The father of these youngsters never earned more than \$4,000 a year, and in the ten years before he died he had earned a total of only \$29,000. Yet he made those modest earnings guarantee his family's future security—a brilliant bit of financing. He accomplished it through this EXTRAORDINARY Life Plan.

● You can make similar provision for your family's vital money needs, should you die—

● At the same time you can assure yourself of financial independence in the years ahead—

Both can be yours through one Northwestern Mutual Plan.

Your family would have five primary needs for money, if you should die: (1) an immediate cash sum; (2) a monthly income until the children are grown; (3) a reserve for emergencies; (4) an educational fund; (5) a permanent life income for your widow after the children are grown.

And if you live, you want a regular monthly income starting when you retire.

These and other money needs can be economically fulfilled through the Northwestern Mutual's remarkably flexible Ordinary Life Contract.

You Build for Retirement, Too

When you're ready to retire, you can receive your guaranteed cash value in a lump sum, or leave it at interest, or receive a life-time monthly income. Or, if you die, your family will receive money when and as they need it, under the interest or annuity settlements you selected.

Thus, when properly arranged to meet your individual needs through a well-planned program, this Ordinary Life Policy with its great flexibility becomes indeed an EXTRAORDINARY Life Plan.

Many years of experience have given Northwestern Mutual agents a specialized knowledge of just how to arrange these EXTRAORDINARY Life Plans, and how to keep them up to date.

See for yourself the many advantages of such a plan. We will gladly send you a useful analysis chart which you will find a great help in arranging your program. Simply send the coupon.



THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY
MILWAUKEE - WISCONSIN

Pay **SECURITY INCOME** dollars
...to my family when I die, or
...to myself if I live

The Northwestern Mutual
EXTRAORDINARY Life Plan

No. D-XE 21859-1

THE NORTHWESTERN MUTUAL LIFE INS. CO.
720 East Wisconsin Ave., Milwaukee, Wis.
With no obligation to me, you may mail an
analysis chart of the EXTRAORDINARY Life Plan
described in this advertisement.

Name.....
Address.....
City.....State.....

NB-2-38

Business Men Say . . .



STERLING MORTON, Secretary
Morton Salt Company

"It seems fine, on first thought, to carve up fattened fortunes, to make idle heirs go to work, to redistribute amassed and concentrated wealth. But what does such confiscation do to the country at large—what does it do to dry up future taxes—who can tell the full story of large estates from which all liquid funds are sucked? . . . Large estates give the type of intelligent supervision of investments needed to insure industrial progress and to build up our business structure, thus providing new employment and adding to the sources for further taxes."



HARRIS & EWING

ALFRED P. SLOAN, Jr. (right), Chairman
of the Board, General Motors Corporation
with B. E. Hutchinson of Chrysler Corporation

"Our objective necessitates a constant increase in the physical volume of production. Too many seem to think that we can have more by magic. . . . As a nation, we still have to learn that neither more leisure nor a fantastic distribution of property, nor higher prices, but more work done more efficiently is the only possible approach to the objective of providing an ever-increasing flow of goods and services so that more people will have more and more things."



BLANK-STOLLER

S. BAYARD COLGATE, President
Colgate-Palmolive-Peet

"Our boast of being the cleanest nation in the world is seriously challenged, not by our habits of cleanliness as a people, but because of the sheer difficulty and inconvenience that overcrowding and under-housing imposes upon millions of people. . . . For thousands of Americans the weekly Saturday bath is the fact of today rather than the joke of yesterday."



ACME

WILLIAM S. PALEY, President
The Columbia Broadcasting System

"Democracy is a thing precious to us all. In broadcasting it has not been achieved without a struggle. The fight is not over and it never will be. There will be danger from those who seek to lay rude and selfish hands on the medium and even greater danger from those who are sincere and well-intentioned, but know not the meaning of democracy. Our present system of broadcasting, founded on freedom and fairness of the air, must be preserved and strengthened. Allow censorship to be imposed upon it, deliver it into the hands of autocrats, make it a tool of any party in power, destroy it, and you will have begun to destroy liberty in America."

FROM PLASTICS HEADQUARTERS —



BAKELITE RESINS *for all types of finishes*

FURNITURE VARNISHES to boat enamels...house paints to suspension bridge coatings...these and other finishes for innumerable purposes have acquired new decorative and protective values from the use of synthetic plastic materials in formulation. Specify "a superlative finish" today and the chances are that you will obtain a product fortified with Bakelite synthetic resin.

In this one field of industry alone, more than fifty different Bakelite synthetic resins are now widely employed.

Throughout other branches of industry, science and commerce, equally valuable and diverse services are rendered by other Bakelite Materials, including complete ranges of molding materials, laminated stock, cast resinoids, fabric coatings, special adhesives and bonding plastics.

Pioneers in the development of synthetic plastics, and originators of several

important basic types, Bakelite Laboratories have continually broadened the variety and utility of these man-made materials. They are recognized as headquarters for plastics to fulfill an amazing variety of requirements.

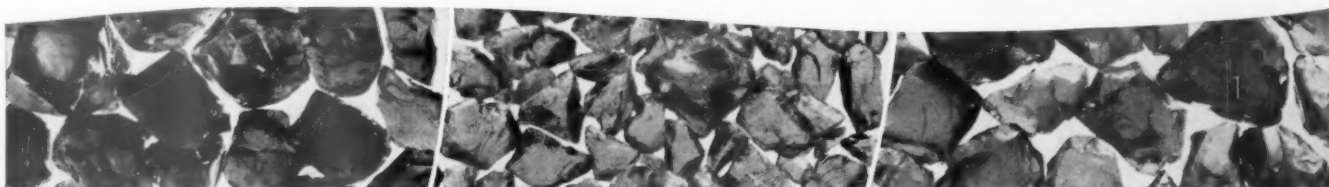
Manufacturers everywhere make a practice of consulting Bakelite Corporation *first*, whenever plastic materials are being considered. We invite you, also, to submit your problems to us.

BAKELITE

The registered trade mark shown above distinguishes materials manufactured by Bakelite Corporation. Under the capital "B" is the Bakelite logo, a stylized "B" inside a circle, which is a member of patent and trade mark of Bakelite Corporation's products.

Bakelite Corporation, 247 Park Ave., New York, N.Y.
Bakelite Corp. of Canada, Ltd., 163 Dufferin St., Toronto

PLASTICS HEADQUARTERS



—And Promote the General Welfare

By EMERSON ROBINSON

PORTRAIT of an Ohioan who believes that people can attain the things they want more quickly through hard work than they can through law-making

A MID-WESTERN industrialist sat in his office in late January. The floods that "couldn't happen" were sweeping through the Ohio Valley. Thousands of homes were being tossed about on the surface of the great yellow serpent as it surged toward the Mississippi. Hundreds of thousands had seen all of their possessions destroyed in an hour; villages had been wrecked and cities assaulted with such force that all business except relief was suspended.

The industrialist knew all of this because he was also in it; but on this morning from his office he looked out upon another river; one that was controlled—but also the same river that 24 years before had raced down the Miami Valley carrying death and destruction.

With that memory in mind, he reached for the telephone and put through two calls.

A week later, as a result of these calls, some 500 men representing chambers of commerce of the Ohio Valley states, the federal Government, Army engineers and governors or their agents, gathered in Columbus, Ohio, to discuss some plan for preventing floods in the Ohio Valley.

The man who presided at that meeting was Alexander Thomson.

Mr. Thomson, in calling the flood control conference, was acting characteristically; he was striking while "the iron was hot" so that public opinion might be molded into some definite plan of future prevention before the waters subsided.

Now it isn't easy to get 500 men to agree on anything, even if they are friends. Those who attended this conference were, for the most part, strangers. The only purpose was to discuss the flood and how to prevent



Mr. Thomson ponders why one of the ears of corn grown on his farm turned out to be a nubbin

another—and, in such a situation, it required a skillful and tactful leader so to direct the conference that something tangible might be accomplished. The visitors struggled with the problem all day and from them that evening went the first memorial to the national Administration urging that flood control in the Ohio Valley be instituted at once under the supervision of Army engineers.

A business man tries farming

AS a newspaper man, I attended, a couple of years ago, a meeting of a group of farmers who were to hear Mr. Thomson speak. I went with some misgivings. I had attended many such meetings to hear repeated the same old plea for closer cooperation between the farm and industry and between farmers and city residents.

Instead, the industrialist spoke as one dirt farmer to another. The address stamped him as one who knew his farming as well as he did his business. He conducted a questionnaire—and had to answer most of the questions himself.

Inquiry developed that Mr. Thomson is a dirt farmer. It is his hobby

and, like all hobbies, it is the delight of the hobbyist. He owns 2,500 acres of land in Indiana, a short distance from Versailles.

This farm is a vast laboratory and experimental station. Much of it is in woodland and that which is cultivated has soil of many types. Experts diagnose this soil just as a specialist diagnoses the ailments of a sick person.

"Cows do not give milk," Mr. Thomson says, "we have to take it from them."

So it is with soil. It does not give crops—man has to plant and sow—if he wants the harvest. And, to get the most harvest, seeds must be right and must be planted in the kind of soil best suited for their growth.

Except in business circles, the name of Thomson was little known outside of Cincinnati and Hamilton, Ohio, until four years ago. The father of Alexander Thomson was the late Peter G. Thomson who conducted a bookmaking business in Cincinnati until the early '90's. Then, when an opportunity presented itself for a profitable sale, he quit business and, at the age of 42, determined to retire.

However, he was born poor, start-



Quite seriously, sir . . . the new "Super-speed" L C Smith Typewriter is something to know about. It will save time and money for you, and save time and work for your office force. It is complete . . . modern . . . efficient . . . retains the *easy action* for which L C Smith has long been noted . . . and like all L C Smiths will cost little for service and repairs.

Why not try one out right in your own office? Just phone any L C Smith Branch or Dealer; no obligation, of course.



THE NEW *Super-speed* L C SMITH

L C SMITH & CORONA TYPEWRITERS INC SYRACUSE N. Y. — *Makers also of CORONA, the first PORTABLE TYPEWRITER*

ed to work when 13, and had worked hard in the intervening years. One day in retirement, therefore, was enough for him. The next day he went to Hamilton, then a growing, but small, manufacturing city 25 miles north of Cincinnati.

Started a paper mill

THE coating of paper for books was in its infancy but his experience with books and printing, coupled with a desire to improve the printing art, prompted him to enter the paper coating industry.

In less than a decade, Champion Coated Paper Company products were sold throughout the country and the mill in Hamilton was kept busy night and day. A great paper making plant had also been built. Within 15 years, another paper mill was erected, and, at the same time, a gigantic pulp mill at Canton, N. C. Only recently another pulp mill has been built near Houston, Texas, and the name changed to the Champion Paper and Fibre Company.

We who lived in Hamilton before 1930 knew Alexander Thomson—at least we knew of him. We knew that the company of which he had become chairman of the board employed many people, that he served on some committees and donated to worthy causes—in other words, we knew him

primarily as an industrialist who met his community obligations.

It was not until the depression that we began really to know him. The people marveled that, in the darkest days of the depression, the Champion mills had not closed; many other plants had locked their doors; others were on short—extremely short—rations. But Champion kept its more than 2,000 employees at work, met its pay rolls and, in this way, staved off the bankruptcy which threatened scores of merchants and small businesses. Had it not been for the Champion pay roll, this industrial city would have been a far more dreary place than it actually was.

This situation focused attention of Hamilton on Champion and its officers. They learned that a super-salesman was its chief executive officer and that his organization was cemented together by bonds at least as personal as they were commercial.

There may be a lesson for industry in general in the history of Champion.

Mr. Thomson, however, is not an evangelist going about the country telling other men how to run their businesses. He devotes his time to the general public welfare largely through the chambers of commerce in which he has been active for years.

Public organizations were having a hard time in the early 'Thirties.

Civic work, financed and carried through by private subscriptions, had practically stopped.

This was the situation in the Hamilton Chamber of Commerce when Mr. Thomson was prevailed upon to become its president as a civic duty. He did not want the job and its responsibilities, especially at the time when so much energy was required to keep the paper mill in operation.

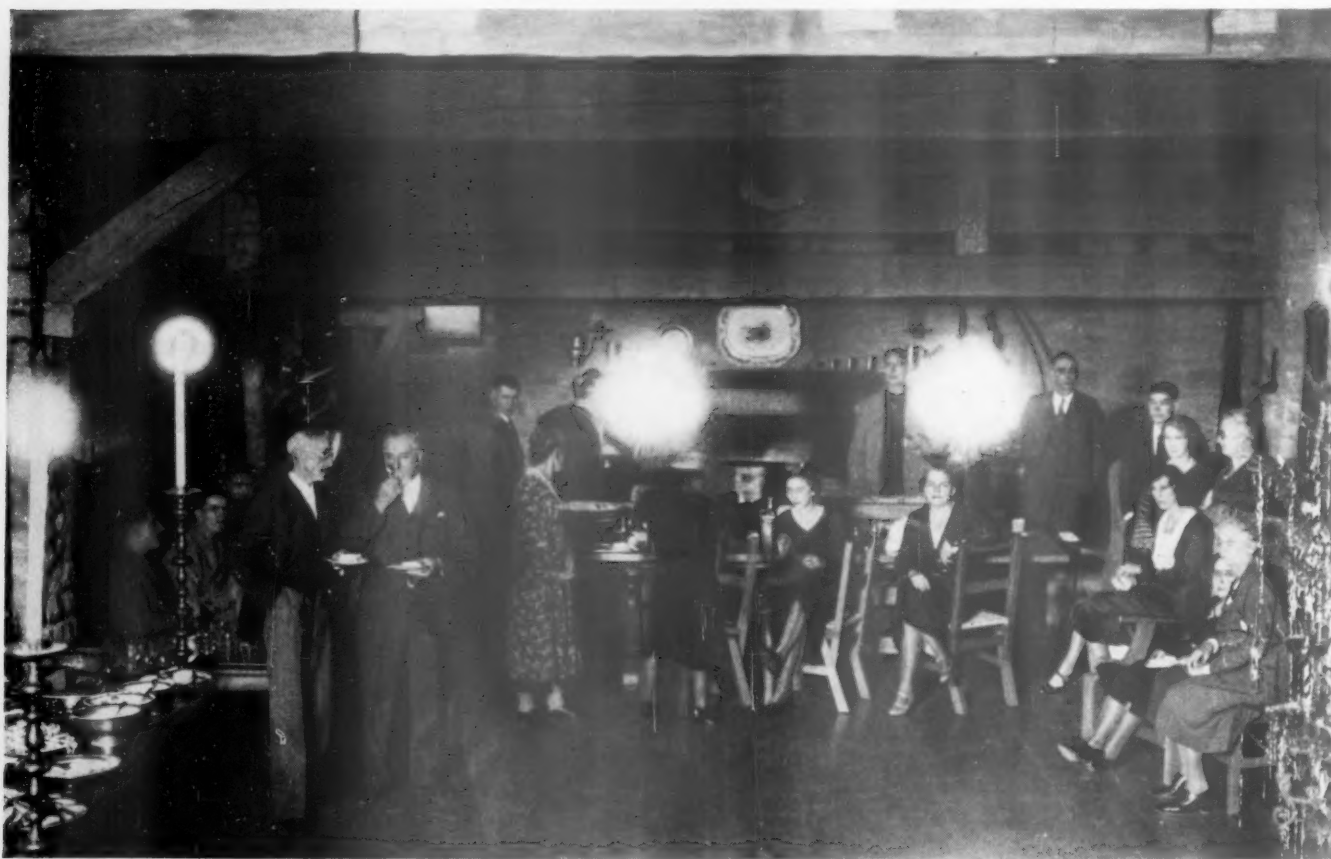
Six months after accepting this office, he was elected president of the Ohio State Chamber of Commerce.

Only last spring he was elected a director of the United States Chamber of Commerce but, in the period intervening between his election at Hamilton and today, he has been named to scores of important committees of the National Manufacturers' Association, forestry associations, conducted Community Chest drives, and instituted surveys.

Mr. Thomson, together with some of his close associates, sponsored in Ohio what has been called the most extensive study of state government ever made in the country—the Sherrill survey. The active head of the survey was Col. C. O. Sherrill, who was the first city manager of Cincinnati, and who has recently been recalled to his old position.

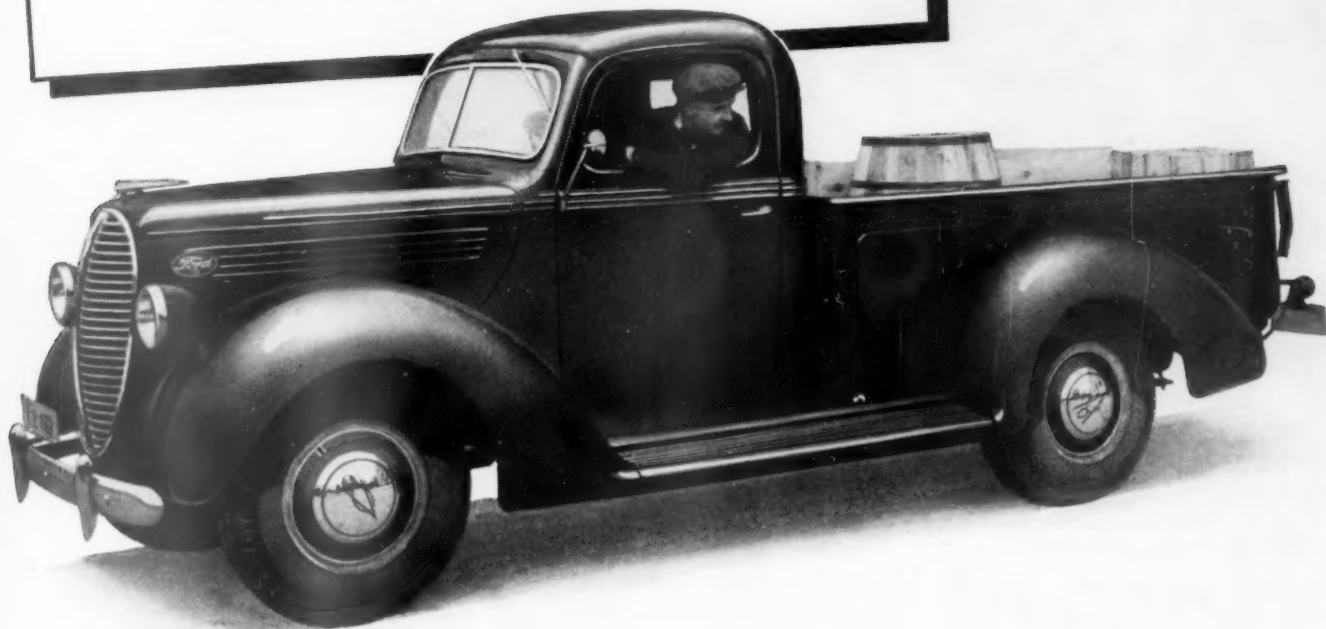
Ohio business men not only suggested this survey but financed it

(Continued on page 106)



Open house at Christmas time is an annual event at "Old Timbers" and folks from all over the township assemble to take part in the merry-making. Mrs. Thomson is sitting before the light at the right

BUSINESS WANTED IT
FORD BUILT IT



New One-Tonner BRINGS FORD V-8 ECONOMY TO ONE-TON RANGE

Many operators of hauling and delivery units have asked Ford to build a unit that would handle one-ton loads with the same proved performance and economy that Ford V-8 units of larger and smaller capacities bring to their respective fields. Result: The new Ford V-8 One-Tonner.

The One-Tonner has a 122-inch wheelbase. It has been designed to take advantage of the unusually economical 60-hp. V-8 engine, although the 85-hp. V-8 is also available where higher speed and faster acceleration are desired.

Though low in price, the One-Tonner has the time-proved features that make the larger Ford V-8 Trucks so reliable. Frame, springs and axles are designed for high reserve strength, without penalizing economy with excess weight.

Visit the nearest Ford dealer and arrange for an "on-the-job" test with your own loads and your own driver. While there, you will also see the new 1938 Ford V-8 134-inch and 157-inch wheelbase Trucks and the new 112-inch Commercial Cars — the finest, best looking units in all Ford history.

New Features of 1938 Ford V-8 Trucks

New styling • More comfortable cabs, more head room, new interior trim, softer seats • Quicker stopping brakes • New 134-inch wheelbase, improved load distribution • For 134 and 157 inch trucks, new standard frame width • Larger spindles • Easier steering, roller type with 18-inch wheel • TIME-PROVED FORD TRUCK FEATURES: V-8 engines, 85 and 60 hp. • Full-floating rear axle with tapered roller bearings • Straddle-mounted pinion, ring-gear thrust plate • Centri-Force Clutch, low pedal pressure, high torque capacity • Needle roller bearing universal joints on 134 and 157 inch trucks • Full torque-tube and radius-rod drive, free-shackled springs • Ford Engine and Parts Exchange Plan.

1938 FORD V-8 TRUCKS

FORD'S SEVENTH YEAR OF V-8 SUCCESS

"Your Order, Sir?"



Robert Jahrling of Springfield, Mass., Chas. Laube of Buffalo and H. I. Dunnock, Baltimore, president of the Association, inspecting a display of quick-frozen foods at convention

AMONG the less publicized, but important enterprises noted for improving its public relations, adopting new methods and general all around improvement in the past decade is the restaurant business. Like any large retail group, the industry is still cluttered up with fly-by-night and inexperienced operators whose practices offend both the public and progressive restaurateurs but, for the most part, this industry can "point with pride" to a record of self-improvement that is worth investigation by other industries who threaten to lay their troubles on the doorstep of the federal Government.

Much of their success has been due to a willingness to cooperate under the leadership of a strong and active trade association, the National Restaurant Association, which holds three or four regional conventions a year as well as a national meeting. Last year the national meeting drew 10,500 persons and the regional convention at Washington, D. C., brought 2,500 visitors. The slogan "Good Food is Good Health" was adopted in 1936 not only to attract public attention but also to inspire restaurant operators themselves to strive for higher quality in their food.

There are at present more than 153,000 restaurants, cafeterias, lunch rooms, lunch counters and refreshment stands that did a business exceeding \$2,000,000,000 in 1937.

Restaurant proprietors were among the first to install air conditioning and sound-proof ceilings. Modern restaurant kitchens contain elaborate cleaning machinery, specialized cooking devices, huge ranges and other devices such as electric grills, mixers, beaters and refrigerators.

Chief problem of the industry at present is labor. Slack hours resulting from the public's practice of eating only at certain times of day; the general practice of providing meals in addition to money wages; and the fact that the industry is not affected by seasonal changes are among the reasons why this industry seeks separate consideration in labor legislation, rather than inclusion under broad laws attempting to affect all industry.



Modern waitress uniforms portray changes of the past 25 years. Attractive ensembles have replaced drab night-gown effects of yesteryear

PHOTOS BY HARRIS & EWING



Mrs. Ruth Wakefield of the Toll House, Whitman, Mass., and C. A. Patterson, publisher of the "American Restaurant," admire a display of fancy decorations made in the kitchen of the Mayflower Hotel



This ice cuber which was on display at convention, and converts a 300-pound ice cake into any desired size cubes in a few seconds, is only one of many mechanical devices adopted by progressive restaurateurs



WHAT HELPS BUSINESS
HELPS YOU

Read NATION'S BUSINESS
MAGAZINE

If you are interested
in a special pamphlet
on this subject, write
NATION'S BUSINESS
No obligation.

"That makes sense to me!"

MAYBE I can't talk economics, but I've noticed this—

When things are good for business, they're good for me.

When the boss can see what's ahead for him, why, I can count on steady work.

When he's getting picked at and pushed around, I've learned it's time for me to worry too.

A lot of us who are dry behind the ears don't make it any tougher for the boss than we have to, figuring that's to our own benefit.

After all, his job's no picnic either, not these days.

Looks to me it would be better for the country and fellows like us if politicians got the same idea.

Suppose they do break business down with all this sniping and regulating and taxing—who's ahead?

No, I don't fall for this bunk about busi-

ness being a bogeyman—most business I know is O. K.

Anyhow, if they know some that's off the reservation, why not name 'em and bring 'em to trial?

Seems to me that would be better than scaring all the others to death.

I say that because "*What hurts business, hurts me!*"



This advertisement is published by

NATION'S BUSINESS

It is the sixth of a series appearing in *The Saturday Evening Post* and other publications. The seventh is printed on page 104.

Our subscribers will recognize in it the spirit by which *Nation's Business* is guided and the purpose it serves—to encourage straight thinking about business and its relations with government.

If the message interests you, we are prepared to supply, upon request, copies in poster size for bulletin boards, and in leaflet form for distribution. Mats for newspaper use and electros for house organs are available. Write NATION'S BUSINESS, WASHINGTON, D. C.

How Not to Run a Business

By WILLIAM A. MCGARRY



CONSIDER the paradox of the book publishing business: a storehouse of information on how to market everything in the world—except books

YOU CAN get detailed information on how to run any kind of a business out of a book. This doesn't guarantee that you can then run the business. If you knew how in the first place, however, books are a valuable source of information and reference. Many of them are written by real authorities—technical experts and executives of high caliber.

This is particularly true in marketing, merchandising, sales and advertising—the articulate arts of business. All and singly, these functions have been analyzed, surveyed, checked and counter-checked in a thousand volumes. From them you can get uncounted specific examples of what to do with your product, what not to do with it.

A man from Mars, knowing this, might conclude that the publication and distribution of books was the most efficient—and profitable—of all the enterprises coming under the head of business in this Promised Land of Trade.

"With all that information on how to get the customers in advance of everybody else," one can hear him

The publishers have forgotten the first law of merchandising:
You must make the market at your own expense

saying, "the book publishers ought to be in the big dough."

Faith in the far future

ODDLY enough, that's what the publishers think. From the youngest neophyte in the field to the veteran Nelson Doubleday, every one of them has implicit faith in the future of the book business—the far future, that is. As to the present—let me line up the witnesses and have them to the bar.

The distribution of books is in the dark ages.

Our prices are too high. People can't or won't pay two and three dollars for a book.

No book should cost more than a dollar. For years I have tried to get the

publishing industry to subscribe to a million dollar a year fund to advertise the reading of books, so we could build up the volume and bring down the prices.

Thomas R. Coward of Coward-McCann is witness number one. The second witness is a composite of all publishers. The father of the million dollar advertising idea is Nelson Doubleday.

At various times in the past ten years I have discussed books with these and other publishers, not for their literary merit or lack of it, but as merchandise. Not merely business books, but books of all kinds—fiction and non-fiction, text and technical, flops and best sellers.

All of these publishers agree they are not selling enough books—even

"LINES" ALONE DON'T MAKE A GOOD BUILDING
... BUILD WITH FIRESAFE, THRIFTY

Concrete



The Teche-Greyhound Bus Depot at New Orleans, La. Architectural concrete walls, and terrazzo floors. Exterior wall surfaces finished with cement paint. Designed by Diboll, Boettner and Kessels, architects and associated engineers. Contractors: Caldwell Bros. and Harte.

SO you're going to build? Of course, your new building will have pleasing architectural lines. But what kind of "stuff" will it have underneath?

It will pay you to play safe with your money and ask your architect and engineer to specify ARCHITECTURAL CONCRETE. Then the frame, floors, walls and decoration will be cast as an enduring *monolith*—fireproof, storm-proof, even earthquake-proof. First cost will be low. Maintenance will be an absolute minimum. And you'll be pleased with the fine exterior appearance obtainable with concrete.

Your architect or engineer can show you how concrete can serve you with maximum efficiency and economy. Or let one of our engineers tell you the story.

In scientific laboratories, and on construction jobs, the Portland Cement Association is cooperating with engineers, architects and builders to perfect ever safer, more enduring pavements... better homes and structures... better bridges, dams, sewers and farm improvements. Helpful free booklets available on hundreds of subjects.

PORTLAND CEMENT ASSOCIATION

Dept. A2-44, 33 West Grand Avenue, Chicago, Ill.

Architectural Concrete

WALLS AND DECORATIVE DETAILS CAST
INTEGRAL WITH FRAME AND FLOORS



"Put the price of the book within their reach and people will eat up the best of past and present literature"

when they hit a best seller. All of them are agreed on three major reasons, though they may disagree as to the sequence in which these reasons should be stated. The logical order would seem to be:

- Excessive costs.
- High prices.
- Consumer resistance.

Information—for others

WHAT really is the matter with the book business from the strictly commercial point of view? It is a storehouse of information on how to market anything else, yet its distributive machinery is thoroughly out of date and inefficient. Ruefully, publishers will tell you that publishing is the best place in the world to learn *how not to run a business*.

Let's see what the industry is doing now. With some ups and downs, the publishers of the country have been averaging about 10,000 titles a year. In 1936, the total was 10,434, of which 8,584 were new books and 1,850 reprints. The average sale for years has remained almost static at 2,000 copies a title, or a rough total of 20,000,000 copies.

"Not bad," you may say, if you have a mathematical mind. "One sale to every six and a half persons."

On a *per capita* basis, yes. Actually,

the publishers themselves estimate that they reach only one person in 500 who can read. Few persons buy one book a year. The 50,000 members of the Book of the Month Club take a dozen from that source alone. The same is true of the Literary Guild and other smaller clubs.

Many arguments are advanced to explain why 499 persons out of every 500 who can read never buy a book, but let's take them in the order already set down. Why are costs high? Because the average first edition or run is the same as the average sale, or 2,000 copies. That's what makes high prices, of course.

Wouldn't the public buy more books if the publishers lowered costs by printing larger editions? It was Mr. Doubleday's idea that they would, but he couldn't get the industry to agree with him. He wanted every publisher to bring out at least one leader at a dollar in an edition large enough to make that price profitable.

All the advertising in the world, these publishers argued, would not break down consumer resistance. Their opinion was and is generally supported—and perhaps fathered to some extent—by the commercially innocent reviewers. The latter say Americans do not want books, and particularly good books. They say we

have not formed the reading habit.

It is smart, of course, to criticize the citizen's literary taste and capacity for appreciation. Put that aside for the moment. Here is a \$50,000,000 industry with an almost unlimited field for expansion. What information is available in other fields of American reading habits?

Periodicals have better sales

NEWSPAPERS and periodicals are the outstanding examples. Despite the tendency toward mergers, the newspapers sell more than 40,000,000 copies a day. With the magazines, they have proved that virtually all people in this country like to read. The nations that buy more books *per capita* have nothing like our newspaper and periodical circulations.

Both these groups, as a matter of fact, have stolen a march on the book publishers, just as the drug stores have taken a big market away from the book sellers. The full length novel is to be found in scores of magazines, hundreds of newspapers. The book seller cannot expect to compete with the ten cent Sunday paper, of course, but he may learn something about what the public wants from the record of periodical expansion.

In 1905 *McClure's Magazine* was leading everything else in the nation. That was at the height of the muck-raking era. Its circulation was 100,000 copies. The total periodical circulation of the country was about 3,000,000 copies a month.

I talked with Mr. McClure in 1923. He estimated the monthly periodical distribution in that year at 70,000,000, including weekly magazines, and he was of the opinion that it was nowhere near the saturation point.

Magazine distribution has grown so rapidly since then that no one can do more than guess about what it is today. Some distributors tell me it is well past the half billion mark. Including regional publications, there are more copies of women's magazines than there are women. There are more farm periodicals than farms. The new type photographic magazines are less than a year old. More than 12,000,000 copies are sold each month.

On the heels of the phenomenal success of *Readers Digest*, a horde of imitators springs up, along with many devoted to special fields, and sells out at the newsstands at 25 cents a copy. At the same price, the Leisure League and others are selling millions of booklets on hobbies, educational and technical subjects. The cheap book is following the cheap booklet through the chain drug stores even into the chain groceries.

The assertion that the public



Keep capital liquid, credit high with controlled collections and limited loss

NOW your business can be flexibly financed—you can control your cash position at will, and at short notice—and you can limit possible credit losses to a small definitely agreed percentage. All this and your customers are *not notified!*

With the introduction of the LIMITED LOSS feature, we have made the discounting of accounts receivable not only the most flexible and economical form of modern industrial financing, but also added a strong protective factor that

fits in with the most conservative management.

Hundreds of substantial concerns use this sound method of maintaining a strong cash position and high credit rating.

If you need cash to meet pay rolls, to discount your bills payable, to buy raw materials at lowest cash prices, or for other sound business reasons, investigate the advantages of this flexible, economical plan.

★ Why not give us an opportunity to explain? A personal interview will give you a better, quicker understanding. Our representative will keep any appointment at your convenience.

COMMERCIAL CREDIT COMPANY

BALTIMORE

NEW YORK CHICAGO PORTLAND, ORE. SAN FRANCISCO

which is drinking up this flood of printers' ink and crying for more has not formed the reading habit, reminds one of the awful fate that almost befell Henry Ford only 30 years ago. The statisticians at that time had located the permanent American saturation point for motor cars at 10,000 units a year—subject only to increases in the population.

Along came 1906, and Ford ruined the calculations by selling 9,600 units all by himself. He was making six models at that time. Suddenly he shocked his associates by announcing that he was going to scrap the entire line, cut the price to a ridiculously low figure, and concentrate on an untried four cylinder job to be known as "Model T."

Mass production and low prices

SOME of Ford's best friends thought he had gone crazy. They tried to get him to see a brain specialist. He and his family were harried by good advisers, all armed with bales of statistics. Ford stuck to his guns—and Henrietta. Eventually the old girl rolled off the assembly lines at the rate of 2,000,000 a year for four years.

In one day Ford made more cars than the saturation experts said could be sold in an entire year. He should have called that car the "Model Tee Hee."

But what has all this to do with books? Ask Albert Einstein or Will Durant, James Truslow Adams, Havelock Ellis, Felix Frankfurter or Senator Arthur Capper, to take a few names at random from the Advisory Board of the National Home Library Foundation. The last published list of

that board showed the names of 60 men and women from every field of letters, the law and judiciary, the professions, commerce and trade.

The Foundation is a non-profit organization devoted to the idea that every home should have its own library. Sherman F. Mittell is president, Roy S. Thurman, director. A little less than six years ago these two called together a group of ten other book lovers in Washington, now the headquarters of the Foundation.

To this group, Mittell and Thurman laid down a mass production plan for books even more far-reaching and startling than the one Ford had put into effect for cars. Where he had called for minimum unit profits, they called for no profit at all. Don't put this aside as chimerical until you read what happened. The personal motive will reveal itself. Said Mittell and Thurman:

If people are reading trash, it is because that's all they can afford to buy. Put the price—and the book itself—within their reach and they will eat up the best of past and present literature. Cut costs not only by larger volume, but by using the type of high speed, modern printing presses essential to the magazines and newspapers.

Use the jobber and the book-seller, but don't depend on them. Get out of the worn trail of the drummer and go after the wholesale market. Line up the schools and colleges, the parents clubs and educational organizations. Tie in with the motion pictures, the radio, the libraries—any new outlets we can find to encourage the reading habit.

The group thought so well of the project that an initial fund of \$20,000 was subscribed for working capital. Mittell and Thurman started out to modernize book publishing from manufacture to final sale. Their original idea was to use paper covers, and

to sell at 15 cents. Paper was discarded when a cheaper product was found.

In their studies of conventional book publishing, Mittell and Thurman had been impressed more by what the printing presses didn't do than by what they did—in other words, lost time. Even in the plants with modern equipment, this lost motion constitutes a large item of expense. With an average run of 2,000 volumes, the presses were idle for longer periods than they were running.

The mass production principle of cutting costs by continuity of operation had been familiar to manufacturing men since Bill Jones developed it in steel under Carnegie 'way back in post Civil War days. It had been set forth in detail by a host of writers—in hundreds of books. But it had never before been applied to the medium used to tell the world about it.

By making a run of 100,000 copies, the Foundation leaders learned that they could get the cost of printing any book down to one-eighth of what the printer wanted per unit for 2,000 copies. They learned that they could get further discounts by printing 12 books in a single operation. This is old stuff to makers of dollar watches, motor cars, radios and a hundred other items. It is old stuff to advertising men and printers. But it was new to publishing.

At the depth of the depression, the National Home Library Foundation astonished the book world and made a printer happy by ordering 12 books—in editions of 100,000 each. On May 1, 1932, the total issue of 1,200,000 copies was placed on sale at 15 cents a copy. Trade discounts were set up for commercial distributors, and an-





*"Wait 'til my Chief
sees this kind
of typing!"*

— we'll all have new Underwoods then!"

Typists everywhere express their amazement . . . Never has there been such supreme ease of Touch or such fine typemanship. And all agree that it's the world's best-looking typewriter, too.



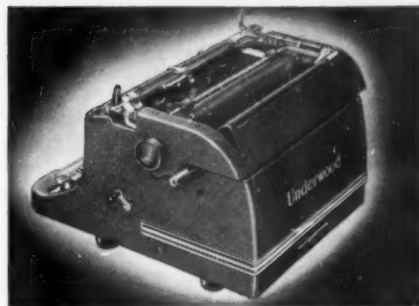
The New
UNDERWOOD MASTER
Typewriter is Here!

WHEN Underwood defies all tradition in typewriter design and adds a new machine to the greatest line of business typewriters in the world, it's your cue to telephone for a free trial immediately.

The new Underwood Master not only offers you an advance-styled machine. It offers greater speed, accuracy, simplicity and ease of operation.

Here is completely individualized touch. A custom-built machine could not possibly "fit" the typist better. The Master is literally tuned to the finger tips of each individual typist.

Only by seeing the new Underwood Master can you appreciate what a crowning achievement its launching represents. Note its Champion Keyboard, the Touch Tuning feature within easy reach of the typist's finger tips. Note, too, the completely sealed back—an exclusive Underwood feature that offers greater protection against dust and provides far quieter operation. Be sure to telephone for your free trial today. Every Underwood Typewriter is backed by nation-wide, company-owned service facilities.



From every angle it's the world's outstanding typewriter. Note the completely sealed back—exclusively Underwood.

Typewriter Division
UNDERWOOD ELLIOTT FISHER COMPANY
Typewriters . . . Accounting Machines . . . Adding
Machines . . . Carbon Paper, Ribbons
and other Supplies
One Park Avenue, New York, N. Y.
Sales and Service Everywhere
Underwood Elliott Fisher Speeds the World's Business



Copyright, 1938, Underwood Elliott Fisher Company

WORLD'S LARGEST MANUFACTURER OF TYPEWRITERS

WHAT TO SAY to people who want to borrow money



When friends or relatives ask for financial assistance you doubtless give it—as often and as liberally as you can afford. But there are times when one must say no, when one's assistance must be limited to giving helpful advice.

Have you sometimes wondered what to say in such circumstances? Have you wished you knew more about available lending agencies—more about the terms on which responsible people may obtain loans there? To meet numerous requests for such information we have just prepared an interesting booklet entitled "For the Man Whose Advice is Always Asked."

Where people may borrow without collateral

This booklet contains an impartial discussion of whether a family *should* borrow and two very important precautions to be taken if it *does*. Then follows helpful information on where people may borrow—not merely the fortunate few with bankable collateral—but also the estimated 80% of the population without access to ordinary bank credit.

In most states, these people may obtain three kinds of loans. The booklet tells where and how each kind may be made and the cost. A convenient table makes comparison of the features of the different types of loans quick and easy. The simple explanation of how rates are computed will correct certain common misunderstandings of the cost of widely used types of personal loans. A "word of caution" contains a final suggestion of great importance to the borrower.

Booklet sent free

Household Finance Corporation has published this booklet to promote a wider knowledge of the available sources of cash loans for consumers. You are invited to send for a copy without obligation.

HOUSEHOLD FINANCE CORPORATION and Subsidiaries "Doctor of Family Finances"

one of America's leading family finance organizations, with 228 branches in 148 cities

HOUSEHOLD FINANCE CORPORATION, Dept. NB-B
919 N. Michigan Ave., Chicago, Ill.

Please send me without obligation a copy of your new booklet: "For the Man Whose Advice is Always Asked."

Name _____

Address _____

City _____

State _____

other schedule for libraries, schools and non-profit organizations.

Did the books move? Some 50,000 into CCC camps, another 50,000 to the Carnegie Endowment for International Peace for shipment to Greece, Bulgaria, Turkey and the Latin American countries, an order for 3,500 from a single New York high school, and 10,000 copies of "Tom Sawyer" to a St. Louis clothing firm which used them as premiums to buyers of rompers.

That first printing was called the "Jacket Library." Other titles in addition to the one named were "The New Testament," "The Merchant of Venice," "Emerson's Essays," "Pere Goriot," "Green Mansions," "The Way of All Flesh," "Alice in Wonderland," "Treasure Island," "Adventures of Sherlock Holmes," "Under the Greenwood Tree," "The Golden Treasury of English Verse."

Speedy distribution necessary

"THE group had pooled all their resources to bring out these first volumes," Mr. Mittell told me. "Speedy turnover was imperative so that no deficit might be incurred. Not only new methods of distribution were necessary; a new tempo was demanded as well."

To that end, each of the 12 members of the founding group assumed responsibility for promoting and distributing 100,000 volumes. The country was divided into 12 commercial districts. Distribution agencies were established with territories covering the 48 states.

About two years later, after several additions to the "Jacket Library," the Foundation moved into stiff bindings, stepped the price to 25 cents, and repeated its previous order. Nearly all the authors were in the so-called "highbrow" lists—Shakespeare, Dickens, Defoe, Scott, Flaubert, Tolstoy, Anatole France, Emerson, Kipling, Havelock Ellis and Thomas Paine.

In 1935, the Foundation staked out more new ground. Heretofore all its publications had been reprints on which copyrights had expired. Now it began to publish new titles. David Cushman Coyle's "Brass Tacks" was first. It has been followed by Brandeis' "Other People's Money" and books by Arthur E. Morgan, John W. Studebaker, Dorothy Canfield Fisher, Harold G. Moulton, William E. Borah, Charles A. Beard and A. T. Mason. The Complete Poetical Works of John Keats in a single volume is the latest offering.

The minimum first run on all of these books has been 100,000 copies. Coyle's "Brass Tacks" has sold well over the 1,000,000 mark. At this

writing, the Foundation is preparing for publication its first book in full size. All of those heretofore published have been in the pocket size format.

The Foundation contends that, even when the advantage of its non-profit charter is discounted, its record proves that people will buy good books at an attractive price if the books are made available to them. There are only 5,000 book stores in the United States. Some 45 per cent of the population does not have access to libraries.

The trouble with the book business, in the opinion of these publishers, is that it has forgotten the first law of merchandising—you must make the market at your own expense. Mittell and Thurman are enthusiasts, but they are also business men. Each has had plenty of mercantile experience.

When the Foundation started, these two and all other salaried officers in the group pledged themselves to work three years for \$25 a week each. They are not drawing much more now, if any. But they are convinced that, eventually, the National Home Library Foundation will be able to hire anybody it wants.

As this article was being written, the newspapers carried reports that Richard Storrs Childs, President of Modern Age Books, Inc., was following the trail Mittell and Thurman have blazed. He is bringing out a new line of paper and cloth books at 25 cents and up—and will sell them at newsstands.

Within a short time, these books will be on sale in 83 cities. Special red steel display cabinets are provided for the dealers. The first issue includes 11 titles, six at 25 cents, four at 35 cents and one at 75 cents. Standard cloth bound editions are also available at 85 cents.

Modern Age, Mr. Childs reveals, has been planning this venture for more than a year. The titles are in lighter and more popular vein than those of the Home Library Foundation, the distribution plan is different, but the fundamental economic thinking is the same.

Book publishing is an industry. With mass production it can lower its prices. With low prices it can reach volume markets. That's where every other industry has found the area of black ink.

At the time Henry Ford scrapped Model T it took him two years and cost \$25,000,000 to produce Model A. If he had limited the "edition" to first costs, the Ford Motor Company would now be out of business. In a sense, however, that is exactly what the book publishers are doing. They are not selling more books because they do not expect to. They are asking the public to make the market.

The Birth of a City Budget

(Continued from page 38)

er taxes on his home carries the greatest sincerity.

There are speeches by realtors who frankly declare they cannot sell houses, burdened as they are with mounting taxes. There are speeches by labor leaders who see in higher taxes, greater political power because of more jobs, but they talk about the cost of living. There are discourses by spokesmen for the police and fire departments who paint a picture of municipal desolation if more men are not added to the force or higher salaries granted.

Impassioned denunciations of high taxes are delivered by several persons who are identified in derisive whispers as former foremen in the street department under a previous administration. These are laying the foundation for the next municipal campaign.

It is the hey-day for all the shabby river front and flop house orators who can gain recognition on the assumption that they have the slightest—which most of them haven't—interest in whether next year's taxes are high or low. Speakers on both sides, with and without collars, have one eye on the newspaper reporters' table and make sure to give their names and addresses loudly and distinctly.

One shabby politician-comedian who has unsuccessfully run for every political office in the city and county and who is supported, one-tenth by an occasional city job and nine-tenths by public relief, declares:

"You folks talk about the danger of losing your homes. You should get like me. I've lost three houses already and have got used to it."

But all bad things must have an ending. Weariness and hunger for the long-past lunch hour dries up the ambition of the speakers. The members of the City Council and the Mayor retire to an ante room to discuss the situation. Many of the crowd are leaving, especially the taxpayers. Their expressions are those of the survivors of the Black Hole of Calcutta.

At last the Mayor and his colleagues reenter the Chamber. With the smile of the family physician who announces "a bundle from heaven" he reports that Mrs. Municipality has just given birth to the biggest budget in her career and that both mother and baby are doing just splendidly. But he failed to say that Papa Taxpayer is in a sinking condition and hasn't much of a chance to survive.



A good fellow and a star salesman—but he's laid up for months because someone drove too fast. Speed is costing his company thousands of dollars in sales that only McMurtrie knew how to bring in.

Every automobile accident to anyone on your pay roll costs you money. All employees should be encouraged to drive carefully. Urge them to join the "Not-Over-50" Club whose 150,000 members are driving at sane speeds that give them time to see and stop. Membership is free and the little Red Arrow on the 50-mark of their speedometer will remind them of their careful driving pledge at all times.

Join this safety club and urge your employees to do likewise. Mail the coupon for free safety packets, in-

cluding membership cards, window emblems and Red Arrow speedometer stickers. A sufficient supply for your employes will be sent free, without obligation. They will help you prevent accidents that cost you money and man-power.

If you would like to learn how you may save with safety by insuring with Lumbermens, simply check the extra square in the coupon. Lumbermens insures only careful drivers, prevents accidents among this preferred group, and operates economically. The savings that result make possible the substantial dividend refunds which have been returned to policyholders each year. To save with safety on your automobile insurance check the coupon for more complete information.



LUMBERMENS MUTUAL Casualty Company

JAMES S. KEMPER, President

Save with Safety in the "World's Greatest Automobile Mutual"

HOME OFFICE: MUTUAL INSURANCE BLDG., CHICAGO, U. S. A.

START SAVING LIVES Today

"NOT-OVER-50" CLUB, 4750 Sheridan Road, Chicago, Illinois NB-14

Please send me _____ safety packets described above. I understand that these insignia are free and that this places me under no obligation. ☐ Also send full details on how I can "Save with Safety" on my automobile insurance.

Name _____

Address _____

City _____ State _____



Looking Back

ON A HUNDRED YEARS



In reviewing the Century of Service rendered by the Norfolk and Western Railway we look back over . . . years filled with hardship and sacrifices . . . years of prosperity and accomplishment . . . a HUNDRED years of consistent improvement in facilities and equipment . . . years that have produced an unexcelled railway service—Precision Transportation.

From small beginnings when little wood-burning engines puffed and chugged laboriously over the original nine-mile stretch of track between City Point, Virginia, and Petersburg, hauling tiny cars at the speed of 18 to 20 miles an hour—the Norfolk and Western Railway has developed its facilities and equipment until today giant locomotives each weighing nearly a million pounds haul heavy trainloads of freight at sustained speeds of from 65 to 70 miles an hour over a well-graded, well-ballasted roadbed extending between the Midwest and the Virginias and Carolinas and between the North and the South.

Fast, modern, air-conditioned Norfolk and Western passenger trains daily carry thousands of travelers safely, comfortably, and economically through one of the most beautiful scenic regions in the world.

Climaxing one hundred years of unexcelled transportation service, the Norfolk and Western Railway continues the onward march of progress, and pledges its future to a service of efficiency, economy, and dependability.

**NORFOLK
AND
WESTERN
RAILWAY**

• 1838 • A CENTURY OF SERVICE • 1938 •

Your Stake in Labor's War

(Continued from page 16)

in its efforts to bring the mass production industries under its wing. The powerful and dominant craft unions were loath to give up their segments of jurisdiction in these industries as the industrial union forces led by John L. Lewis demanded.

Lewis and his associates claimed that, until the crafts unions dropped their "paper" claims to skilled workers in the basic industries, it would be impossible to win most of the employees in these industries over to trade unionism on the A.F. of L. model. What these workers demanded, he said, was an industrial set-up and, without such a form of organization in the mass production industries, there would be no organization at all. And a powerful trade union movement could not be created without winning over the unorganized in the basic industries.

Open split in union ranks

OUT of this struggle within labor and as an aftermath of sharp debates at the 1934 and 1935 conventions, the Committee for Industrial Organization was formed in November, 1935. Ostensibly organized to propagandize and educate workers to the value of industrial unionism, the Committee for Industrial Organization, within eight months of its inception, began to organize workers in the steel industry.

From almost the beginning, the American Federation of Labor Executive Council denounced the C.I.O. as a rival or "dual" movement. Out of its past experience with secession movements, the A.F. of L. has come to have an almost pathological hatred toward any rivals.

In vain did the C.I.O. plead that it wished to put the steel workers inside the A.F. of L. The C.I.O. was ordered to disband but it refused. As the months went by, the C.I.O. appeals and propaganda made a deep impression on the unskilled and hitherto unorganized masses of workers in the basic and mass production industries. For many months the C.I.O. rode on a wave of popularity among the workers in these industries, with the result that the figures of Lewis and of his associates stood out as "saviors" of the lower paid groups.

The A.F. of L. had predicted failure in the C.I.O.'s attempts to organize the auto and steel industries but the Lewis organization won agreements with General Motors, Chrysler and the U. S. Steel Corporation.

In the meantime, the internal labor battle had led to the suspension of the eight original C.I.O. unions by the Executive Council of the A.F. of L., a step which the suspended unions challenged as unconstitutional. The suspension became effective in September, 1936, two months before the dispute would have been aired at the annual convention. The C.I.O. asserted (and the A.F. of L. denied) that the Executive Council took the "illegal" action because the industrial union adherents had shown that, at the 1935 convention, they controlled about 35 per cent of the votes and stood a fair chance of getting a majority in the next year or two.

With the minority unrepresented, the 1936 A.F. of L. convention supported the action of the Executive Council almost unanimously. After this action, the C.I.O. unions understood that the only way to get back to the fold would be to leave the Lewis organization.

Talk of peace between the two groups made little headway until last October when the C.I.O. proposed the convening of peace committees, having refused for a year to meet with the A.F. of L.'s standing committee of three.

To these conferences which began on October 25 and ended without result less than two months later, the C.I.O. brought a claimed membership of 4,000,000 with the number of dues paying members undisclosed. The A.F. of L. claimed to have gained 1,000,000 members in the course of the year, making its membership 3,800,000.

Now, what is it that divides the A.F. of L. and the C.I.O.?

The answer may be found in one word: Power.

Craft unions not subservient

THE source of power in the A.F. of L. lies in the large craft unions in the building and metal trades. By their concentrated voting strength they may and do dominate the smaller unions and dictate the policy of the entire organization. These large unions fear that, if the adherents of the industrial set-up were to obtain a majority of the votes, because of their added strength they would, in turn, dominate the policies of the Federation.

That would mean, in their view, that the unskilled and semi-skilled workers would take the bit in their teeth and carry on to the detriment of the more solid, conservative craft

unions. These policies, they also fear, would not only tend to narrow the wage scales between the skilled and unskilled, but the more radical industrial unionists would plunge into politics and scrap the old non-partisan labor policy of Samuel Gompers and his successors.

In short, the balance of power, moving from the craft union group to the industrial unionists, would, in effect, be a revolution in the conservative labor movement and would reorient union policy with the outside world, with employers and the Government.

Therefore, the strategy of the A.F. of L. craft union majority is to maintain its hold. That of the C.I.O. adherents is to insure their obtaining a majority once it reenters the A.F. of L.

The stakes in the struggle are so high that one may well understand but not condone the desperate tactics used by the combatants; the boycott and the jurisdictional strike. The lumber interests of the Northwest and the agricultural shippers of California were caught "in the middle" when the A.F. of L. unions boycotted C.I.O.-manufactured lumber and C.I.O.-handled farm and other products.

The outlook for peace at the moment is indeed dark. The A.F. of L. is expected to set up rival unions in every field in which the C.I.O. is engaged and the latter is likely to call a convention in the spring to form a new national trade union center as an independent rival of the A.F. of L. This will mean more jurisdictional fights and an increasing demand by the public for governmental control of labor unions.

Congress in the fight

THE fight will be extended to Congress because the A.F. of L. will redouble its efforts to amend the Wagner Act so as to hamstring industrial unions in the mass production industries. On this question the National Labor Relations Board is caught between both fires in view of its right to designate the unit of collective bargaining.

The form of the wages and hours bill supported by the C.I.O. with a board to administer flexible provisions will be fought by the A.F. of L., which demands that specific minimum wages and maximum hours be written into the bill.

On the political front, the two rival labor groups will clash in many places on candidates. A supporter of the A.F. of L. may be boycotted by the C.I.O. and *vice versa*. The latter group, dominating Labor's Non-Partisan

(Continued on page 86)

THE LONG LUNCH HOUR IS ON YOU!



Thousands of Medium-Sized and Smaller Firms Now Stop Time Leaks with New Low-Cost TIME CLOCK!

The new compact low-priced Stromberg time clock is bringing the economy of time-recording to thousands of firms who never felt they could afford an electric time clock. Sells for one-half previous prices. Supplies accurate payroll records so important for State and Federal Reports. Employees like speedy one-hand operation which eliminates delays and aisle congestion. And Stromberg time clocks are the only recorders that print on the front of the card, keeping records at all times visible.

Automatic, electric — operates conveniently from any A.C. light socket, or may be used with master clock or Western Union Control Clock. Liberal trade-in allowance for your old time-keeping equipment.

Stromberg Automatic Time Stamp

Lightning-fast, one-hand operated time stamp. Gives accurate time of arrival of mail and telegrams, speeds inter-department routing of papers, insures prompt handling of orders—it takes the alibi out of business.

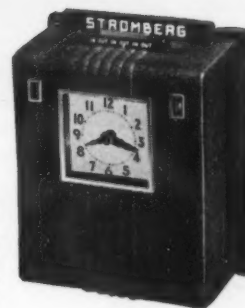
STROMBERG ELECTRIC COMPANY

225 West Erie Street, Chicago, Illinois

Stromberg Time Recorder Company of Canada, Ltd.

284 King Street, W., Toronto

SALES AND SERVICE OFFICES IN ALL PRINCIPAL CITIES
Manufacturers of In-and-Out Recorders, Job Time Recorders,
Automatic Time Stamps, and Commercial Clocks



Sells at ½
Previous Prices—

ONLY
\$110



Auto-Speed
Time Stamp

MAIL THIS COUPON TODAY!

STROMBERG ELECTRIC COMPANY,
225 West Erie Street, Chicago, Illinois

Please send me illustrated booklet containing
complete information on: (Check) Stromberg Time
Recorders ☐: Job Recorders ☐: Time Stamps ☐

Firm Name _____
By _____
Street _____
City _____ State _____



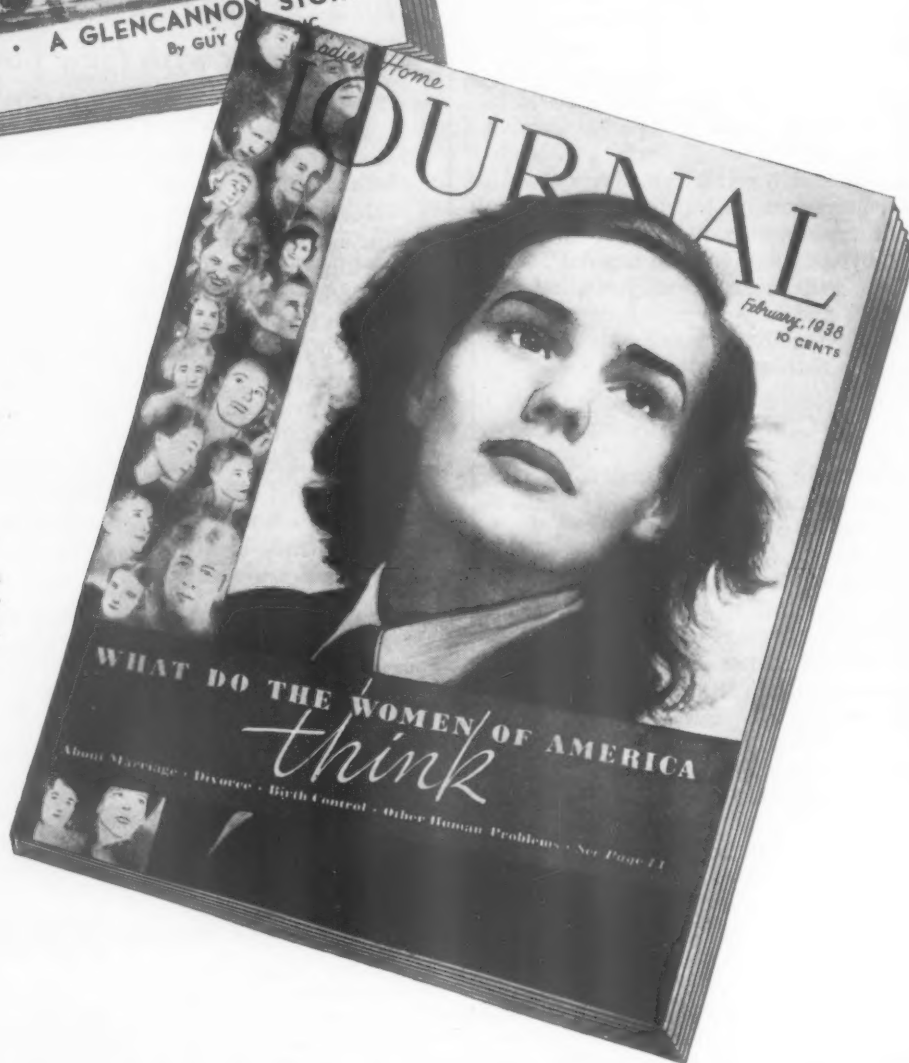
NEW

THE SATURDAY EVENING POST

The Saturday Evening Post is the first magazine in history to average over three million net paid circulation for a full year. In 1937, the weekly average of the Post was over 3,025,000...the highest in its history.

THE LADIES' HOME JOURNAL

The Ladies' Home Journal in 1937 had an average net paid circulation of over 2,960,000...the highest in its history.



RECORDS

Nineteen Thirty-Seven circulation figures are highest in the history of The Curtis Publishing Company. Total average for the three Curtis publications, over 7,600,000... the highest type circulation known to publishing.



VOLUME FIGURES are impressive, but their real importance is in the people they represent.

Alone in the magazine field, The Curtis Publishing Company deliberately restricts circulation of its magazines to only those willing to pay *full price—cash in advance*.

Naturally, such standards fence out great volumes of circulation. Yet the Post, the Journal, and the Gentleman are attracting more than 7,600,000 buyers—an audience which in volume and character stands entirely alone

* * *

THE COUNTRY GENTLEMAN

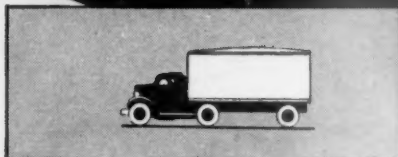
The Country Gentleman's average net paid circulation rose to over 1,615,000 during 1937, and the January issue had *the highest circulation in its history*.



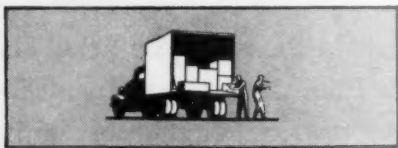
THE CURTIS PUBLISHING COMPANY

Independence Square, Philadelphia, Pa.

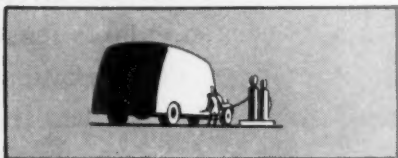
The Quickest Way to Increase TRUCK PROFITS is to REDUCE TIRE EXPENSE



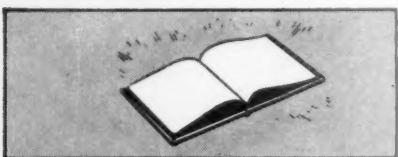
Every one of your trucks must be regarded as a profit producer. The profit consists of whatever part of your dollar is left after all expenses are paid.



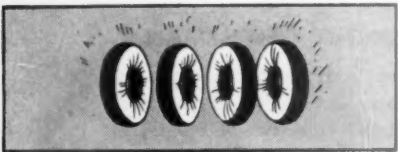
Labor, the biggest item, is fixed. Nothing much can be done about it.



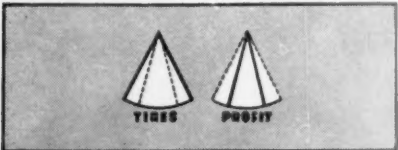
Gasoline and oil take a big slice of your dollar and the possibility of reduction is small.



Depreciation and mechanical maintenance take another big slice of your dollar that offers small opportunity for improvement.



Tires take their slice and the balance, if any, is profit.



Of all the items that enter into expense, the tire item is the most flexible. It is the *only one* that can easily and quickly be reduced and as it is reduced the profit slice of your dollar is increased.



How can you decrease tire costs? Use the best tires you can buy and take good care of them.

● And what is "best"? To General it means *physical carcass strength* to meet the battering of the road and to carry heavy loads. *Elasticity—flexibility—smooth action*—to offset heat that weakens and ultimately blows out your tires and increases tire expense at the sacrifice of profit. *Resistance* to wear that scrapes off the tread of your tires and needlessly steals part of your profit.



General Truck Tires have always been built stronger—to do their work better—deliver greater mileage and haul more payload.

It costs more to build a General, but thousands of truck operators know it costs less to use Generals. See your General Tire dealer. He may be able to reduce your tire costs materially.

• • •

THE GENERAL TIRE AND RUBBER CO. • AKRON, O.

In Canada—The General Tire and Rubber Co. of Canada, Limited, Toronto, Ontario.

GENERAL TRUCK TIRES

(Continued from page 83)

League, appears to be moving in the direction of a third or progressive party or an outright Farmer-Labor Party set-up.

The A.F. of L. is absolutely opposed to such a movement.

Not just a two-man fight

IT IS incorrect to envisage the labor conflict as only a Lewis-Green rivalry. It would be more correct to say that it is a line-up with Lewis and Sidney Hillman, of the Amalgamated Clothing Workers of America, on one side, and on the other a group of powerful craft union leaders including W. D. Hutcheson of the International Brotherhood of Carpenters; A. O. Wharton, of the International Association of Machinists; and Dan Tracy, of the International Brotherhood of Electrical Workers.

On both sides are "middle of the road" groups, ready for a compromise peace but unable to initiate such a move themselves. They are ready to follow if the more powerful figures who control the large voting strength lead the way but they appear to be unable to convince these leaders by any form of peaceful persuasion that the time is ripe for such a move.

The bitter personal hatred and feuds have so snarled up the situation that some of the key players in the labor drama now refuse to perform in any but a blood and thunder play in which the "villain" of the piece must be "smashed" or at least completely discredited.

The A.F. of L. leaders feel that the depression will irretrievably damage the fortunes of the C.I.O. They are of the opinion that internal dissension will cripple the automobile workers' union, while other C.I.O. affiliates will be unable to make headway due to lack of experienced leadership.

Influence of depression

LEWIS and his associates, admitting loss of dues paying membership as a result of curtailed employment, profess to believe that by "digging in" they may save the C.I.O. "until the economic storm blows over."

Undoubtedly the length and severity of the depression will be a major factor in the C.I.O.'s future but it will not be without effect on the A.F. of L. as well.

Like an army, a labor movement depends on money and morale. The A.F. of L. has weathered many depressions in the past 56 years.

The present depression is the first "economic storm" which the C.I.O. has been called upon to face. What the result will be is on the knees of the gods.

Fido and Bossy Open New Markets

(Continued from page 20)

and credentials are becoming vastly more legitimate and practical.

Today we have, in the United States, a world-famed and unrivaled assortment of breed record associations for raisers of most domestic livestock. Included among these are eight national breed record associations for beef cattle, six for dairy cattle, 16 for sheep, 13 for swine, five for draft horses, seven for light horses, two for goats, one for donkeys and two for ponies.

As nation-wide institutions, these great breed record associations have become an impressive American phenomenon. Primarily they are business establishments of a highly creditable sort, supported by membership and animal record fees, and directed by properly elected officers. But they are also becoming powerful social organizations as well as business institutions.

Greater value in livestock

THE new livestock statistics, though not spectacular, clearly indicate a great American trend. The 25,000,000 milch cows on American farms show rising market values and production records, thanks partly to the 876 dairy improvement associations now in action.

Cattle holdings have risen from 58,877,000 in 1929 to 66,676,000 in 1937. Sheep holdings have risen from 48,381,000 in 1928 to about 52,576,000. The farm value of swine has more than doubled since 1932.

But the increase in numbers of pure bred and registered livestock is even more noteworthy. Breed registry of Ayrshires, for example, has climbed from 8,401 in 1927 to 14,107 in 1937; of Guernseys from 35,471 to 51,493 within a decade. It is not easy to quote the exact current statistics of pure bred animals. Record methods of the various associations vary and delay and omissions are encountered in reporting transfers or deaths of registered animals.

But, according to the best estimates available, total registry of pure bred animals in the United States has increased about 26 per cent since 1930 with a current grand total of approximately 6,780,000 breed-grade animals. This total includes about 1,135,000 registries made by the American Kennel Club.

These approximations clearly indicate the practical victory of the pure bred, upon which now rests the



How GraybaR cut ELECTRIC COMPANY INC. inventory \$80,000

WITH four to ten thousand items at each of eighty warehouse points, Graybar Electric Company Inc. has freed a total of \$80,000 from capital invested in inventory in one branch alone.

Graybar executives credit a large part of this saving to their Kardex Visible Record, and the minute-to-minute control it provides against over-stocked and under-stocked conditions.

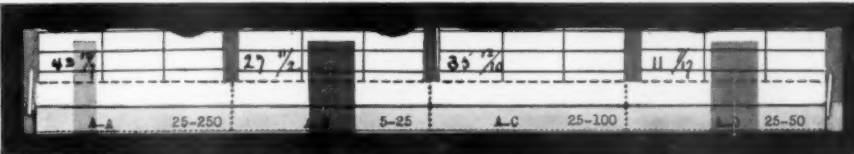
WARNINGS AT A GLANCE. Graybar sees at a glance where ordering or clearance is required. "Immediate" orders are picked up instantly.

And above, on the same card, a full sales history of the product appears in boiled-

down, summary form. Supplier information appears on the card in the back of the pocket.

3 WAYS TO FIGHT RISING COSTS. Economical control of stock is just one of three major cost-cutting methods Kardex offers. Similar systems help you get bigger returns per dollar from your sales force . . . and reduce your accounts receivable through improved collection control.

Find out how any one—or all three—Kardex systems can give you more useful business records, without increasing clerical work. For free survey, phone Remington Rand in your city today or mail the coupon below.



Here's the famous Kardex "Tell Tale Edge" that flashes immediate warning of surplus stock, low stock or slow turnover.

OK..it's from
Remington Rand

MAIL COUPON TODAY

Remington Rand Inc., Dept. G-42
465 Washington Street, Buffalo, N. Y.
Please send full information on the Kardex systems checked. Stock Control ☐ Sales Control ☐ Collection Control ☐

Name.....
Firm Name.....
Street.....
City..... State.....

Ends Locker Room Evils



Saves Space

COMPACT
—3 persons
per sq. ft.

SANITARY
—open to air
and light

FITS IN
ANYWHERE
—any length

No. 3U
Patented and
Patents Pend.

Peterson Utility Wardrobe

Extensively used in leading offices, stores and plants to reclaim valuable floor space and to end locker problems. 4ft. x 1ft. rack provides individually separated, fully ventilated accommodations for 12 persons—hats, coats, overshoes and umbrellas. Available in any length (by the foot). Rigid steel construction; balanced. Portable (with tired rollers) or stationary types. Detachable or permanently attached coat hangers. Finishes in keeping with appointments of the finest offices. Shipped prepaid. Write for circular and prices. (Specify size, color, etc.)

VOGEL-PETERSON COMPANY, INC.

Manufacturers of the complete line of Peterson Check Room Equipment—standard in fine buildings everywhere.

1809 N. Wolcott St., CHICAGO, U. S. A.

Representatives in Leading Cities



Host to
the World

The
MAYFLOWER HOTEL
Washington, D.C.



Single Rooms from \$4 Double Rooms from \$6
New York Office: Call Murray Hill 6-2386

R. L. POLLIO, Manager

future of our great animal industry.

There is also the evident truth that we Americans like animals merely for the sake of animals. In ever growing numbers we are buying and provisioning domestic animals just for the fun of it. Take dogs, for example. The American Kennel Club now estimates U. S. dog population as between 15,000,000 and 20,000,000.

The Club estimates minimum upkeep for any dog as ten cents a day or \$36.50 a year. This brings the U. S. bill for dog-keeping to the neighborhood of \$600,000,000 a year which, with the possible exception of milch cows, is more than we spend for upkeep of any other domestic animal. Dog values are climbing apace with dog numbers. The growing range of dog merchandise includes such institutions as boarding kennels, canine hospitals, cemeteries, bath clubs, tailoring shops, dog beauty salons, walking and exercising services, dog surgeons, dentists, and manicures; not to mention hundreds of brands of food featuring the best and newest in vitamins; other hundreds of proprietary dog medicines, tonics, brushes, nail polishes, breath deodorizers, and, even, dog perfumes!

We are both the doggiest and cat-tiest of nations. Cat growing, selling and catering, though largely lacking in statistics, has become an important industry. There is comparable interest in other household pets. Speaking broadly, this devoted interest in animal pets is non-productive and lacking in profit motive. It is love of the animal as such; added proof that the United States at large is becoming more and more animal-minded.

As a nation, we are entering a new age of the animal, and of animal in-

terests. From a business standpoint this evolution teems with suggestions. Whether in town or country, sellers and advertisers of goods and services which can be better synchronized with animal interests have many reasons for becoming more "animal-minded" in sales approach and in display. To the advertiser, animal pictures and texts never offered greater opportunities.

Business caters to animal owners

NEW roads of merchandising and production lead forward to greater and increasing realms of animal interests because farm owners, operators, and stockmen are increasing productive demand for a vast range of livestock merchandise—from commercial feeds to fences, gates, building materials, cement tanks, trough and floors, house and barn paints, silos and trench silos; a hundred and one kinds of utensils, lubricants, leather goods, piping and plumbing supplies, trucks, tractors, electrical equipment and motors, motor fuels, refrigerators and frosting machines; soaps, disinfectants and sprays, veterinary supplies and instruments, heavy processing machinery, and so on by the column. Supplies and purchases for dogs, cats, and other household pets are proportionately in the limelight of opportunity. Insurance companies now risk and earn millions upon animal health and longevity.

Demand waits for hundreds of new goods and services which may be of durable benefit to animal industries and interests. When correlated to animal interests and demands, hundreds of old items may find new scopes of demand and usefulness.



"I'm beginning to feel drowsy"

It is Not Low Cost Housing

(Continued from page 26)

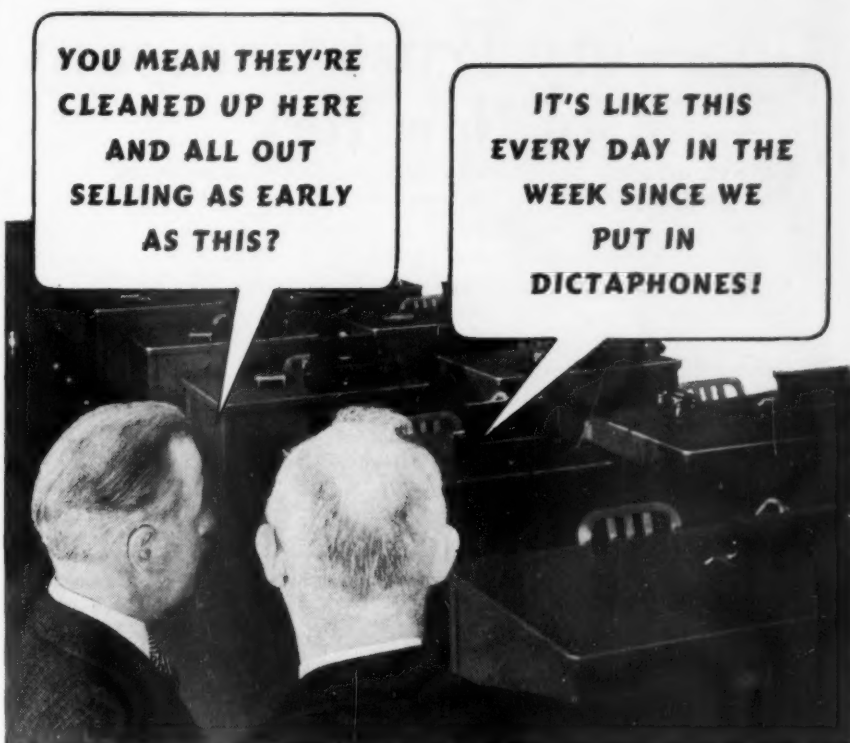
former slum dwellers out, but rent is only one element. If those who lived in that poor slum had had regular jobs and could have given references and credit ratings, they would have moved long before they were ordered out. They were the deeply unfortunate and the incorrigibly shiftless, as slum dwellers usually are.

Financial rules set up by the government housing authorities say that a tenant must have an income of not less than three and not more than five times the rent he pays. Families are fitted to apartments. A two-person family cannot rent a five-room apartment, nor can a five-person family rent a two-room apartment. A family may consist of two persons for each bedroom, plus one. Five persons could occupy a two-bedroom apartment, although the management has the last say in each case. If the extra person who would have to sleep on a temporary bed in the living room should be a youngster in grade school whose rest would be broken by the family use of the living room in the evening, the management could refuse to sanction the arrangement. A child under two does not count as a person, but a lease would hardly be given to a family of maximum size with a child who would in a few months have to be counted as a person.

Slum dwellers barred in effect

IF THE price and other conditions did not keep the slum dwellers out, the crowding provision would bar many of them because it seems to be a sort of rule that the family which has nothing else at least has plenty of children. As it was, the 25 per cent of total capacity in families accepted for Cedar-Central in the first month came from sub-standard districts all over the city but none from the district cleared for the project. The men are clerks, porters, and others in the low income brackets. Average income is around \$100 a month.

It is the announced purpose of the housing authorities to accept for tenants only those now living in sub-standard dwellings. Interpretation of what is sub-standard is left largely to the management. Generally speaking, it means lack of light or air, insufficient bathing facilities, poor sanitation or poor surroundings. As far as an outsider can judge, the investigations are being made carefully and decisions are honest and intelligent. Untold opportunities for abuse would



FOR YOU . . . Dictaphone will mean more calls on key customers, more time for field trips, more time for sales thinking. *It cuts executive drudgery!*

FOR YOUR MEN . . . Dictaphone will mean no waiting around the office for a chance to dictate orders and reports. *It's ready whenever they are!*

FOR YOUR SECRETARY . . . This modern dictating machine will mean freedom to do things for you. To keep things moving. To guard you from interruption. *It keeps her from being a shorthand machine!*



THE TREND TO DICTAPHONE SWEEPS ON



LET HIM SHOW YOU—right in your office. You'll discover many helpful uses you've never thought of. Call us today and find out what Dictaphone really does!

Dictaphone Sales Corp., 420 Lexington Ave., N.Y.C. NB-2

In Canada—86 Richmond St., West, Toronto

☐ I would like to talk with someone about the loan of a Dictaphone at no expense to me.

☐ Send further information about Dictaphone.

Name _____

Company _____

Address _____

The word DICTAPHONE is the Registered Trade Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade Mark is Applied.

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MAIN OFFICE
140 Broadway

MADISON AVE. OFFICE
Madison Ave. at 60th St.

LONDON

PARIS

BRUSSELS

LIVERPOOL

HAVRE

ANTWERP

Condensed Statement, December 31, 1937

RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	\$ 478,270,301.14
Bullion Abroad and in Transit	69,987.00
U. S. Government Obligations	540,506,067.95
Public Securities	53,300,711.96
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	16,817,682.73
Loans and Bills Purchased	623,244,876.98
Items in Transit with Foreign Branches	269,113.81
Credits Granted on Acceptances	27,127,146.90
Bank Buildings	12,424,191.87
Other Real Estate	461,961.24
Real Estate Bonds and Mortgages	2,048,627.06
Accrued Interest and Accounts Receivable	19,594,268.87
	\$1,781,934,937.51

LIABILITIES

Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	11,690,064.38
	\$ 271,690,064.38
Dividend Payable January 3, 1938	2,700,000.00
Foreign Funds Borrowed	106,000.00
Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc.	20,422,691.37
Acceptances	\$ 45,065,770.59
Less: Own Acceptances Held for Investment	17,938,623.69
	27,127,146.90
Liability as Endorser on Acceptances and Foreign Bills	8,821,208.00
Agreements to Repurchase Securities Sold	1,260,314.00
Deposits	\$1,424,208,361.03
Outstanding Checks	25,599,151.83
	1,449,807,512.86
	\$1,781,934,937.51

Securities carried at \$41,222,922.29 in the above Statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

WILLIAM C. POTTER, Chairman

W. PALEN CONWAY, President

EUGENE W. STETSON, Vice-President

DIRECTORS

GEORGE G. ALLEN	Director, British-American Tobacco Company, Limited, and President, Duke Power Company	EUGENE G. GRACE	President, Bethlehem Steel Corporation
W. PALEN CONWAY	President, American Telephone & Telegraph Company	W. A. HARRIMAN	of Brown Brothers Harriman & Co.
CHARLES P. COOPER	Vice-President, American Telephone & Telegraph Company	JOHN A. HARTFORD	President, The Great Atlantic & Pacific Tea Company
JOHN W. DAVIS	of Davis Polk Wardwell Gardiner & Reed	DAVID F. HOUSTON	President, The Mutual Life Insurance Company of New York
HENRY W. de FOREST		CORNELIUS F. KELLEY	President, Anaconda Copper Mining Co.
ARTHUR C. DORRANCE	President, Campbell Soup Company	FREDERICK P. KEPPEL	President, Carnegie Corporation of New York
EDWARD D. DUFFIELD	President, The Prudential Insurance Company of America	THOMAS W. LAMONT	of J. P. Morgan & Co.
CHARLES E. DUNLAP	President, Berwind-White Coal Mining Company	WILLIAM C. POTTER	Chairman of the Board
LEWIS GAWTRY	President, The Bank for Savings in the City of New York	GEORGE E. ROOSEVELT	of Roosevelt & Son
ROBERT W. GOELET	Real Estate	EUGENE W. STETSON	Vice-President
PHILIP G. GOSSLER	Chairman of the Board, Columbia Gas & Electric Corporation	CORNELIUS VANDERBILT WHITNEY	Banker
		GEORGE WHITNEY	of J. P. Morgan & Co.
		L. EDMUND ZACHER	President, The Travelers Insurance Company

(Member Federal Deposit Insurance Corporation)

be offered should the management at any future time fall into hands not able and honest.

Some reader with a sharp pencil may before now have been setting down figures to find out how the costs and rents on these projects are related. Specifically the schedule of rents for Cedar-Central average \$18.44 for three-room apartments, \$21.16 for four-room apartments and \$22.93 for five-room apartments. In Outhwaite they are lower, averaging \$12.75 for two-room apartments, \$16.46 for three-room apartments, \$18.70 for four-room apartments, \$19.07 for four-room group houses, \$21.15 for five-room group houses and \$22.44 for six-room group houses.

To these rentals must be added the utilities charge ranging from \$5.35 to \$8 a month paid with the rent.

Obviously these rentals are too high for the slum dwellers and not high enough to pay minimum operation costs and the bare carrying cost of the announced investment. But the answer is that, on the one hand, the Government is not trying to meet the needs of the slum dweller and, on the other, is not trying to pay even carrying costs on the whole investment. As a prelude to fixing rents, 45 per cent of the total cost was written off by congressional authority as an outright grant. Rents are fixed to cover the operating budget and pay interest and provide for 60 years amortization of the remaining 55 per cent of the costs. The rents quoted ought to do that.

Merely subsidized housing

SO IT works out that these federal projects are not slum clearance and are not low cost housing, but are actually subsidized housing for a defined low income group.

Any man's attitude on them is going to depend largely on his convictions on government policies. The man who believes that government should take the money of all of us and subsidize housing for part of us will think they are fine undertakings. From that point of view they are. As far as any careful observer can determine, the money has been honestly and well spent, considering all conditions.

There will doubtless remain a good many citizens who do not believe that housing is a legitimate province of the federal Government and many more who think that, whether it be for housing or any other purpose, no government has the right to tax everybody to confer benefits on any one group. Whatever we believe we now have the whole story.

In the meantime, the federal excursion into housing should have the

great value of setting a mark at which municipal governments can shoot. It is the municipality which has a direct stake in slum clearance or any other property betterment. It is municipal government which has to cope with the fire hazards and crime breeding potentialities of slums. It is municipal government which has to absorb the tax shrinkage spreading from slum districts. It is municipal government which should be at work on slum clearance.

In some ways these federal projects will present an example to be followed. In other ways they will show what not to do. But they should be valuable object lessons and should have the close attention of municipal authorities and public spirited citizens interested in stopping the dry rot of cities.

Insofar as the new housing law serves to arouse that interest and attention it may well serve a useful purpose.

The Test Tube City Rejects the Union

(Continued from page 58)

stone strike was a slump in the payment of union dues. This recession quickly spread to the other major rubber shops. It became so pronounced that late in June the President of the C.I.O. union at the B. F. Goodrich Co. announced that after July 6 the C.I.O. would stop every member 90 days or more in arrears at the factory gate and prevent him from going on the job until he paid.

Resentment against this became so bitter that the union president explained that he had only been joking to prod the boys into paying up.

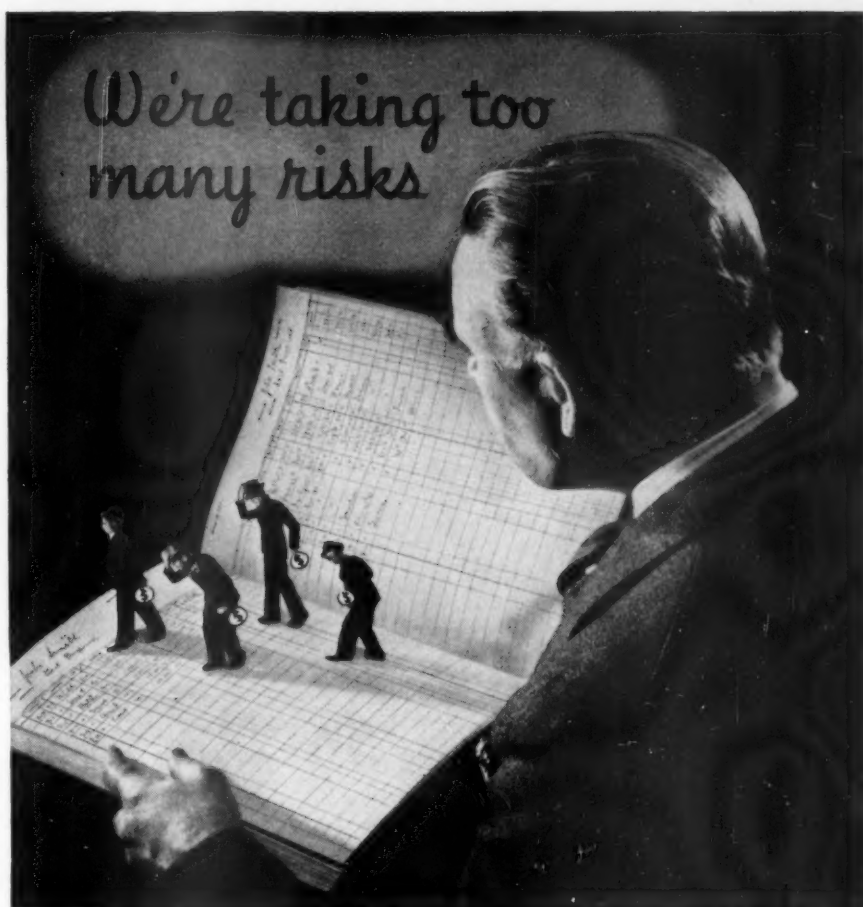
On the morning of July 6, the day set when non-dues payers were to be turned back, there was not even a ripple of disturbance at the gates nor has there been any attempt to compel the payment of dues by force in any of the great rubber shops since.

The third event which contributed to a loss of C.I.O. prestige in Akron was a happening in connection with the Youngstown steel strike. Youngstown is 50 miles east of Akron.

The C.I.O. leadership in Akron called for recruits to join the "invasion" of Youngstown. Some 3,000 men from the Akron rubber unions started for Youngstown in cars.

When they were met at the edge of the steel city by state troops and police, the men were found to be armed with clubs, stones, iron pipes, knives and, in some cases, guns.

Newspaper stories told all this, and newspaper photographs portrayed



DEFAULTS WALK AWAY WITH PROFITS

A few defaulting customers on your books can walk away with the profits of a hundred sales. They may even dip into your capital. The result is the same whether they are honest debtors who cannot pay, or dishonest debtors who will not pay.

No executive requires his credit manager to eliminate all credit risks. *Nobody* can do that. No one can foresee a customer's *future ability* to pay. The one way to assure payment is to *insure* sales.

American Credit Insurance

reimburses Manufacturers and Jobbers, under the terms of the policies, for losses incurred on goods shipped. Your accounts receivable, whether insolvencies or delinquencies, are liquidated. You are also fully covered on "77-B." Claims are paid promptly. Your capital is not idle.

Now is the time to insure. You can protect yourself on special groups, individual debtors, non-rated debtors, etc. Ask any American Credit representative to give you full information.

AMERICAN CREDIT INDEMNITY CO.

of New York

J. F. McFadden, President

Chamber of Commerce Building

St. Louis, Mo.

Offices in all principal cities of United States and Canada

BRING
Any Department
WITHIN
ARM'S
REACH...



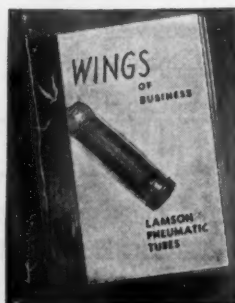
with LAMSON TUBES

SPEED memos, orders, mail, even complete letter files, from desk to desk anywhere in your business. Link any department—or every department—with your own and with each other. *Lamson Dispatch Tubes* are as simple to use as your telephone. No wires—just air tubes that carry important papers *ten times faster than the fastest messenger*, whether it's across the office or a mile away. Install one tube or a hundred, as your need demands. The cost is only a small part of the money you save in time and wasted steps. Our free book, *Wings of Business*, tells you how *Lamson Dispatch Tubes* can be adapted to fit your particular needs. **MAIL THE COUPON** for this book today.



LAMSON *Dispatch* TUBES

"AIR MAIL" within Your Own Plant!



SEND THIS COUPON TODAY

THE LAMSON COMPANY, INC., Syracuse, N. Y.

- ☐ Send me a Free copy of "Wings of Business" without obligation.
☐ Have your sales engineer call.

Name _____

Company _____

Address _____ State _____

graphically the terroristic phase of this invasion. Public reaction made the decision to "move on Youngstown" probably the most costly single error of the C.I.O. leaders in Akron.

The public which had been inclined to regard the rise of mass unionism as an inevitable development in its industrial life began to feel that something very foreign to American ways had grown out of the mass union movement.

It had been the habit of the C.I.O. in the heyday of its power to call strikes outside of the rubber field.

The Akron ten cent stores at one time were closed by mass picketing by rubber unions. In the early spring, its street car and bus system was tied up by militant action of the rubber unions. One or two of the low price appeal department stores found themselves picketed and closed for a period of days by rubber unionists. The unionists had no legitimate complaint against Akron's six-hour day, or against working conditions.

The theory of all these outside activities was that the general wage level of all business and industry must be brought up to the \$1.15 to \$1.35 an hour level of the tire builder.

One such strike was forced upon a fishing tackle manufacturing company whose competition is primarily from concerns in small towns where the average wage is approximately 35 cents an hour. The Akron concern was paying 45 to 55 cents.

Strike conditions had existed in this plant for several weeks when the Youngstown steel strike broke. Shortly after state troops moved into the Youngstown area, Mayor Lee D. Schroy of Akron announced that city police would protect all fishing tackle plant workers who wished to return to their jobs.

Public sentiment swung

THE first day this police cordon was established saw a mass demonstration by rubber unionists, but public sentiment had swung so sharply that the C.I.O. realized that any show of force would result in further loss of public sympathy. Leaders of the rubber unions pleaded for the picketers to avoid violence.

Quickly this strike ended with public sentiment still swinging more sharply in the direction of protecting the right of men who want to work.

Those who watch such trends believe that the quick settlement of the fishing tackle plant strike, on the heels of the Mayor's forceful action, was a highly important factor for reestablishment of strong public sentiment for law and order, and was more important in its reaction on public opinion than any of the events

which had occurred in and around the rubber shops.

To appreciate this, it should be understood that the Akron public realized the strike had been run, not by fishing tackle company employees, but by leaders from the rubber shops. The fishing tackle company and its employees were only pawns.

When this strike settlement came, it gave form and direction to the mayoralty campaign.

The C.I.O. leadership charged that Mayor Schroy was using "fascist" tactics. They charged he was using the police department to "break strikes."

The official retort was that he was as vigilant in protecting the right of men to work as he was in protecting the right of men to strike. He stood upon that position throughout the campaign.

Dues have slumped

THE dramatic failure of the C.I.O. in its thrust for control of Akron's city hall has been followed by an almost unbelievable decline of interest among workers in the "one big union" idea. As interest has slumped, dues-paying has slumped also.

Contraction and retrenchment is being forced upon the C.I.O.'s United Rubber Workers brass hat section. Organizers have been yanked unceremoniously out of the field, and off the payroll. President Dalrymple of the U.R.W. international publicly announced that he was ordering a 20 per cent horizontal cut for all headquarters staff members and organizers remaining on the salary list.

Akron rubber workers themselves are summing up two years of turbulence and unrest, telling one another that the C.I.O. has brought them nothing but strikes and sit-downs, lost time, lost wages and, in thousands of instances, lost jobs as those industries that were able shipped production elsewhere until the rampage subsided.

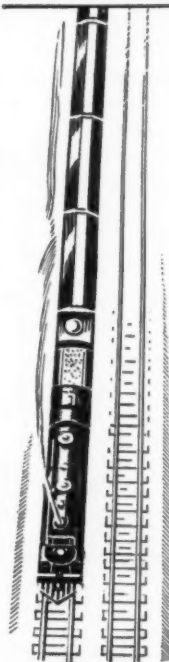
Akron business and civic leaders have for a long time been convinced that Akron was 12 to 18 months ahead of the rest of the country in the matter of labor trends.

These individuals believe that they see in the Akron election and its aftermath a definite indication of what will happen or already is happening in cities where mass production dominates.

They believe that the Akron election, like those of Canton, Youngstown, Cleveland and Detroit, points the way to a reemergence of a sounder national economy, an economy based upon integrity of the individual citizen, and continuation of his personal liberties and political freedom.



It Drinks 200 Gallons a Mile



• The Iron Horse is a heavy drinker. Erie freight locomotives use as much as 200 gallons of water per mile. Water for steam to send these giants roaring down the rails at a faster clip than ever before.

Erie spends tremendous sums for chemical treatment of this water—insuring greater locomotive efficiency. Erie locomotives are specially built for high-speed heavy-duty work.

They represent one of the reasons why *your freight* will be delivered on time—and safely. One of the reasons why Erie is "first in freight." On your next shipment call an Erie agent.

Travel the Scenic Erie

... between New York, Binghamton,
Elmira, Buffalo, Chautauqua Lake,
Youngstown, Cleveland, Akron, Chicago

AIR-CONDITIONED TRAINS
EXCELLENT MEALS • FINEST
SERVICE • LOWEST FARES



What of Social Security's Millions?

(Continued from page 21)

this method is the fact that, under it, the amounts collected during a given period are expected to cover merely the costs of the benefits payable within that period. Between these two extreme types of method are a number of in-between arrangements. Since none of these is of the pure "pay-as-you-go" order, each involves the accumulation of one kind or another of fund, whether it be a small "contingency" reserve or a medium-sized "partial" reserve.

For several decades after the establishment of a plan paying benefits based on wages, the size of the aggregate payments will steadily increase. The chief reason for this is that, with each successive year, there is an increase in the average period over which those retiring that year have been receiving credited wages until at last every one who was above the lowest age level when the system began functioning has reached the retirement age.

Under a current-cost plan, this continuous increase in the size of the annual benefit payments is, of course, reflected in the size of the annual contributions. Under an actuarial reserve plan, on the other hand, since the total wages earned—and thus the total benefit obligations incurred in successive years—are more or less uniform, the total yearly contributions as a rule remain approximately at one level. This means that, at the beginning, the contributions are higher than are those under a current-cost plan, although they are not as high as the current-cost contributions later come to be.

Since the contributions under an actuarial reserve plan are, in the early years, higher than are contributions which correspond to the amount of the currently payable benefits, obviously, under this plan a "fund" accumulates. Collecting more than is actually needed for current benefit payments, such a plan functions in part as a large savings system.

Assuming that the size and the age distribution of the covered group are or become

stable, the fund is expected to grow until the aggregate payments of benefits have reached their maximum level. From this point on, the amount by which each payment depletes the fund will be approximately counterbalanced by the contributions of new members, plus the accruing interest. The fund, then, is counted upon to remain at or near a certain size and to earn interest indefinitely.

So far we have been dealing with general principles. Of course, circumstances connected with the operation of any particular retirement system, such as the old-age benefits plan, may in various ways modify the working of these principles. No conclusions can be reached until these circumstances have been carefully examined.

Under the Social Security Act plan, the amounts which may be thought of as contributions are collected in the form of taxes which legally have no connection with the benefits. Title II of the Act provides for the establishment of an "Old-Age Reserve Account" and authorizes Congress to appropriate to the Account, for each fiscal year, "an amount sufficient as an annual premium to provide for the payments required under this title, such amount to be determined on a reserve basis in accordance with accepted actuarial principles. . . ."

The taxes imposed under Title VIII, instead of going directly into

the Account, become part of the Treasury's general fund. However, the taxes being themselves calculated to yield annually over a long period an amount sufficient to cover the amount of the annual premium, it is contemplated that the yearly appropriation from the general fund to the Account will be approximately equal to the aggregate of the taxes. Thus the plan is supposed to operate substantially as if each individual's taxes went directly into the Reserve Account.

Invested in government debt

BENEFIT payments are to be made from the funds in the Account. The Secretary of the Treasury is instructed to invest such funds as are not required to meet current withdrawals. The investment may be made only in interest-bearing obligations of the United States or in obligations which are guaranteed by the United States both as to principal and interest.

As is true of the fund under any actuarial reserve plan, the Account will continuously increase in size for a number of years, provided Congress makes annual appropriations in the amounts authorized. If such appropriations are made, should the benefit formula remain unchanged, and should certain estimates of population growth, mortality, and average wage earnings prove correct, the

growth of the Account would be in accordance with the pattern which includes the famous figure of \$47,000,000,000 as the estimated size in 1980. All these assumptions, it should be noted, may be in error by wide margins. Computations made on the basis of them are useful merely as giving a rough idea of the manner in which the Reserve Account may function.

In support of the reserve method as applied under the existing plan, it is pointed out that, when yearly benefit payments are at the maximum level, the total amount collected through a tax equaling six per cent of pay rolls will fall far short of covering the amount



"She was always 33 until she heard of the Social Security plan"

“Most fair and reliable
Washington news”

356

Appendices

XXIV. THE NEWSPAPERS CONSIDERED “MOST FAIR AND
RELIABLE” BY 99 WASHINGTON CORRESPONDENTS

PAPER	1ST CHOICE	POINTS	2ND	POINTS	3RD	POINTS	NUMBER MENTIONS	TOTAL POINTS
N. Y. Times	64	640	16	80	9	27	89	747
Baltimore Sun	14	140	21	105	13	39	48	284
Christian Science Monitor	3	30	9	45	5	15	15	85
Scripps-Howard Papers *	4	40	6	30	5	15	18	84
St. Louis Post-Dispatch	2	20	8	40	4	12	14	72
Washington Star	2	20	8	40	9	27	17	67
N. Y. Herald Tribune	..	..	8	40	2	10	..	50
Washington Post	3	30	2	10	..	..	5	35
Phila. Record	2	20	3	15	..	..	7	23
Kans. City Star	..	..	1	5	6	18	3	13
Newark Evening News	..	..	2	10	1	3	3	6
Des Moines Register & Tribune	..	..	..	..	..	2	6	2
Chicago Daily News	..	..	..	..	..	2	6	2

One vote for first choice was cast for each of the following papers: Brooklyn Daily Eagle, Chicago Tribune, Cincinnati Enquirer, Daily Worker, Providence Journal.

* Some correspondents wrote “Scripps-Howard,” others named a Scripps-Howard paper. It was thought advisable to combine the votes in one group.

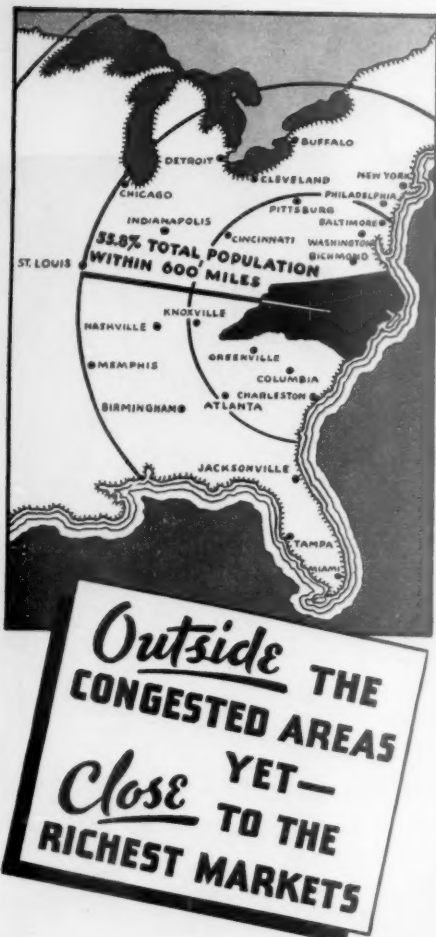
Ninety-nine leading Washington newspaper correspondents cast their votes in a confidential questionnaire for the newspaper presenting “the most fair and reliable Washington news.” The New York Times was first choice of 64. The other 35 votes were scattered among 12 newspapers.

The poll was conducted by Leo C. Rosten and is reported in his new book, “The Washington Correspondents.”

To the newspaper reader seeking all the news — accurate and unbiased — this expert judgment is significant.

The New York Times
“ALL THE NEWS THAT’S FIT TO PRINT”

From “The Washington Correspondents,” by Leo C. Rosten, published by Harcourt, Brace & Co.



MORE than 55% of the country's total population live within a 600-mile radius of North Carolina. And to supply this great concentration of wealth—the richest markets in the world—you do not have to produce under the disadvantages of the congested areas. North Carolina is the home of successful industry because here are all the advantages of low-cost production plus low distribution costs. A plentiful supply of workers, 99% native-born—intelligent, friendly and cooperative. Business-minded legislation—a tax structure and State laws constructive to business. Immense raw material supplies within close haul. Modern transportation facilities by rail and water and a veritable network of paved highways. A moderate climate which reduces capital investment and lowers production costs all along the line. Investigate the profit opportunities North Carolina holds for you. Competent industrial engineers will supply facts relating to your business. Write Industrial Division, Room 27, Department of Conservation & Development, Raleigh, N. C.



of the payments. On the assumption that a tax at a higher rate would not be feasible, it is held that there are only two alternative ways of meeting the deficiency. One is through the provision for a governmental subsidy; the second is through the accumulation of an interest-bearing reserve. The former is ruled out as inequitable, on the ground that it means that the benefits plan, which protects only a limited section of the population, would be supported in a measure by revenues collected from the population as a whole.

This point of view is vigorously challenged. Those who are of the opposing conviction take the position, in general, that the helpfulness of the interest payments in meeting the problems of the future is fictitious. They insist that the interest payments to the Reserve Account, in the same way as would subsidy payments, come from the general revenues and thus from the pockets of the general taxpayers.

A chimerical reserve

NOT only are the interest payments invalid, they declare, but the reserve fund itself is a delusion. An actuarial reserve can perform its normal function as a savings system when operated by a private institution, they assert, but it cannot do so when operated by the Government or the community as a whole.

In saving, one sets aside not wealth, that is goods and services, but claims to wealth—money. Wealth itself, practically speaking, cannot be saved or set aside for use in the future. The goods and services produced this year must be consumed this year or in the near future—as a rule they will be either useless or out of existence a generation from now. It is entirely feasible for individuals and private institutions to exercise their claims on wealth whenever they please. If they do not this year consume the wealth upon which they have a claim, it will be consumed by other individuals, and society permits them to consume instead the wealth that is produced and available at the time they do choose to spend their money.

When individuals save, they consume less in the present and expect to consume correspondingly more in the future. But, it is said, for the community as a whole to attempt to save is meaningless. All that can result is reduced consumption in the present; no increased supply of goods and services is thereby made available for the future.

Further discussion centering about the issues just sketched can be adequately presented only against the

background formed by a consideration of the manner in which the Reserve Account funds are invested. What "invested" means here is simply that the money belonging to the Account is lent at interest to the United States. It thereupon becomes part of the Treasury's general fund.

When the budget is in balance, the money thus lent will be "surplus money" in the Treasury and the duty of the Secretary will be to use it in the retirement of the outstanding debt. As long as the budget remains unbalanced, the money may be used for any of the Treasury's authorized expenditures. If the budget is balanced, the lending of the Account's funds means a reduction in the amount of the public debt held elsewhere (by banks, by other institutions, and by individuals). If the budget is not balanced, it means a reduction in the amount by which such debt held elsewhere would otherwise be increased.

The advocates of the actuarial reserve method hold that the method of investment by which interest payments that would otherwise go elsewhere become the property of the Account is both legitimate and desirable. The Account, they assert, "earns" the interest just as much as would any other institution which lent its funds to the Government.

Those who disagree point out that this view is possible only on the assumption that the Government is unlikely in the long run to do anything about debt retirement and that a public debt even larger than the present one is likely to exist indefinitely. The defenders maintain that, since neither increases in general taxation nor large reductions in government expenditures seem politically expedient, their assumption is entirely within reason.

Subsidized by interest payments

BUT this political inexpediency is merely hypothetical, the critics contend. The hard fact is, they declare, that the present plan, providing for a \$10,000,000,000 increase in the debt, makes impossible even the attempt to check on the correctness of the hypothesis. Moreover, they continue, since the existing plan precludes all effort at debt retirement, its defenders are in no position to argue that it avoids the necessity of an eventual subsidy to the benefits system. If the debt might have been retired within a certain period but, because of this plan, remains in existence indefinitely, the plan itself involves a subsidy, since it means that the Government is forced to pay interest on the debt in perpetuity.

Those on the other side regard the

point as immaterial. After all, they say, under a current-cost plan, the Government would undoubtedly pay a perpetual subsidy. The reserve plan merely allows the old-age benefits system, through interest on its loans to the Government, to earn the payments that would have been made even if unearned.

Opponents of the reserve method contend, however, that, inasmuch as the public debt was incurred by and for the benefit of the whole nation, the whole nation should carry the burden of paying off the debt. Moreover, they hold, neither the low-income groups themselves nor the economic organization of society can afford to have the debt absorbed by these groups. The debt should either be retired through general taxation of the progressive type, or, if it is to continue to exist, it should be carried by those who can afford to lend to the Government, that is, by those whose consuming power will not be reduced as a result of such loans.

Economic maladjustments

OTHERS who object to the reserve method of financing emphasize the economic disturbances that may be expected to follow upon the use of the Social Security funds to retire government obligations now in the hands of private investors. Inasmuch as these individuals and institutions will be forced to seek other means of investment, the supply of funds in the money market will be considerably increased. As a consequence, a significant expansion of production and increase in general business activity may develop. Such developments frequently being cumulative or self-accelerating, the ultimate result may be not only the investment of all the funds turned back into the money market by the retirement of government obligations, and of other funds as well, but expansion of credit proceeding to the point of inflation.

Still others who oppose the use of the reserve method believe that economic dislocations of a deflationary nature may be involved. They point out that the reduction in consumer purchasing power which is expected to follow the accumulation of the reserve fund will mean a substantial decline in demand for and in prices of consumers' goods. This will involve a drop not only in the production of these goods but of capital goods as well. Some believe that the current recession is, at least in part, the result of such dislocations.

Despite lowering of interest rates, the effect of the reduced production of both consumer and capital goods will be that business enterprises will borrow even less than they are at

Many people know the Bell System policy, "To render the best possible telephone service at the lowest possible cost consistent with financial safety." I believe it may interest them to learn how Western Electric helps in the fulfillment of this policy.

W. G. Bloom
PRESIDENT

A financial statement without figures

In the Bell System, the manufacture, purchase and distribution of equipment are centralized in one organization—Western Electric Company.

From these large scale operations, important economies have resulted, and have made possible repeated reductions in Western Electric prices to the Bell Companies, even in times when the general price trend has been upward.

Western Electric's established policy is to set the lowest prices consistent with fair wages to its employees, a fair return on the money invested in the business, and the maintenance of the Company's financial stability.

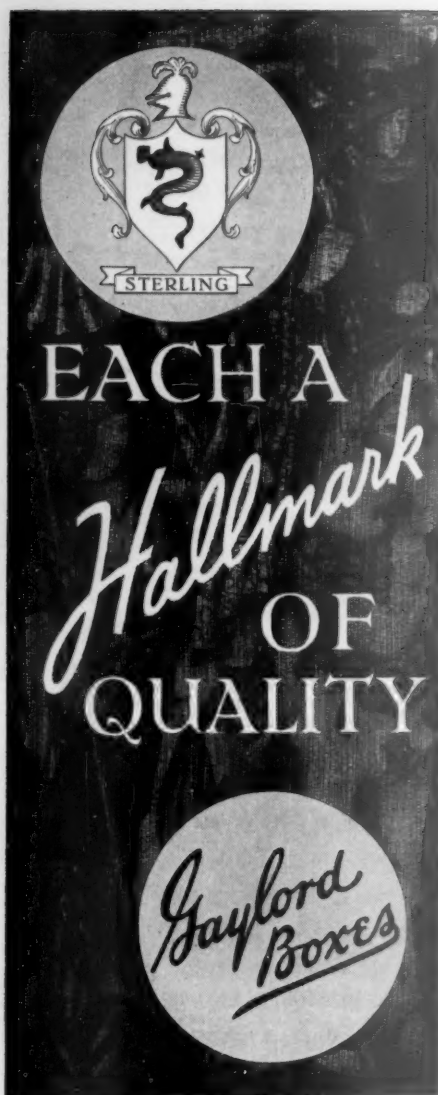
The proof that this policy has been observed is that for the past twenty years the Company's rate of return on its investment has averaged less than seven percent.

Western Electric

BELL SYSTEM SERVICE

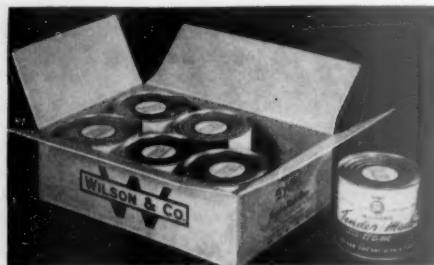
IS BASED ON

WESTERN ELECTRIC QUALITY



In the world of silver, "Sterling" denotes a quality unequalled in ageless service. By dint of actual performance, Gaylord Boxes, with their "Extra Margin of Safety", have earned the same high regard in the shipping container world.

Check with Gaylord...there's a plant or sales office in your territory.



GAYLORD
CONTAINER CORPORATION

General Offices: SAINT LOUIS

present borrowing to finance the construction of capital equipment. Thus, the funds that the private investors have received as a result of the retirement of government obligations will be forced to remain idle. The process just sketched tending to be cumulative in the same way as is the inflationary process, these critics hold that not only the funds mentioned but other credit facilities as well may, as the process continues, be forced to remain unproductive.

Many objectors to the reserve method maintain that its economic effects may very well be in either of these directions. They usually regard one or the other effect as the more likely but believe that one which is less likely is nevertheless possible.

Retire debts with general taxes

CONCERNING these several objections to the retirement of government obligations through the use of the Reserve Account funds, the advocates of the reserve policy declare that they, as much as any others, favor the retirement of existing debt by means of general taxation, although they doubt that such retirement is likely to be accomplished. If it is not accomplished, they point out, the obligations must either be absorbed into the Reserve Account or remain outstanding. The former alternative is felt to be clearly preferable. Moreover, they contend, the latter alternative, no less than the former, would involve severe economic dislocations. These would be expected to occur when the larger aggregate benefits become payable.

Those who support the reserve method bring forward one more argument applying both to the objections concerning the reserve as an instrument for debt retirement and to the primary objections that the community as a whole cannot save and that interest on the Reserve Account funds cannot be truly earned. They hold that retirement of all or any part of the existing debt through general taxation is by no means incompatible with the functioning of the reserve method.

In effect, they say, all or part of the present debt may be retired, and a new debt of a different kind and intended for altogether different uses may be created. Should the debt be retired by means of general taxation, the Government can borrow the Reserve Account funds for what are termed "social investments."

According to this view, a large number of ways in which the community's productive capacity may be increased are not suitable for private investment. Usually the reason is that the return would be intangible,

or, rather, not measurable in money. Various other reasons may exist.

It is held that numerous possibilities for such investment exist—possibilities in which there is no competition with private enterprise. Forests may be planted and dams built, thus preventing the erosion of incalculably valuable soil.

Even though the present generation cannot actually save food for the use of the next generation it can, by conserving soil, make it possible for the people of the next generation to grow food they would otherwise be unable to grow.

Critics of the reserve method, on the other hand, maintain that such investments are for the benefit of the community as a whole and should, therefore, be financed through general taxation. The reserve advocates counter, as in the argument on debt retirement, by saying that taxation sufficient to provide for these investments would probably not be levied. As a result, they contend, the future productivity of the country may not be adequate to allow for payment of "real" benefits in the amounts which have been promised.

The critics retort that the productive capacity may well be inadequate even with a reserve, since the effectiveness of this instrument depends on its being used as contemplated, and there is no way of assuring such use. Indeed, according to their view, what is most likely is that it will not be so used. They argue that the scope of government functions will continue to grow with the result that Congress will face almost continually increasing expenditures.

Since providing for higher taxes will always be unpopular, the tendency will exist to do the easier thing—go further into debt. The presence of the reserve, from which funds may be borrowed more readily than from outside institutions, will strengthen this tendency. Consequently, the prediction continues, the Reserve Account funds will be used for other expenditures than those connected with debt absorption and the financing of social investments, the only uses that will serve to accomplish satisfactorily the purposes for which the Account is established.

Each side, it seems, has good arguments but, as is frequently true in controversies, the arguments are less important than the fundamental assumptions. Here the assumptions are more than usually difficult to evaluate, for most of them concern what may or may not happen in the future. One must assign values to these assumptions on the basis of how they appear in his own perspective and must draw his conclusions accordingly.

The Full Dinner Pail

(Continued from page 24)

Government will only drive some private enterprises into bankruptcy, especially if it taxes them, its own competitors, to make up its deficits. This will throw as many men out of work as the Government takes into its new employment.

2. If the Government produces something useful which private enterprise cannot produce, the public will get a new product and workers will get some new jobs—provided the taxes necessary to pay the cost do not bankrupt too many private enterprises in other fields.

This proposition does not lend support to mere make-work projects which create no new value. Much less does it support a government project which will continue indefinitely to cost more than it earns and be a continuous drain on our national wealth. There is, however, plenty of creative work for the Government to do which will neither compete with private enterprise nor be a constant drain on our wealth. This is the proper field for government planning. When the Government shows itself capable of planning its own peculiar work it will be time to begin thinking about planning other kinds of work.

Masses are not idealistic

THIS argument relates to the problem of employment and has nothing directly to do with constitutional limitations. Regardless of all questions of constitutional interpretation, men will have the means of livelihood if such means are to be had. They may not be so particular as an idealist might wish as to the source of that livelihood. They don't care much where it comes from so long as it comes.

Shrewd politicians have long recognized this fact. Some of us can remember how effectively the politicians of an older régime used such symbols as the full dinner pail, the chicken in the pot, and the smoke from the factory chimneys in their appeals for the labor vote. Their opponents could talk until they frothed at the mouth about freedom of trade, states rights, and constitutional limitations, but they never won an election on those issues.

Now, however, the situation is reversed. The politicians now offer the means of livelihood as a bait for voters, and they offer it not only to

In 1937 More Royals were sold than ever before!



BUSINESS GAVE IT

THE DESK TEST*

HELPED MAKE THE GREATEST
YEAR IN ROYAL HISTORY!!!

• Each of the past 4 years, 1934, 1935, 1936, and 1937, set new, all-time high Royal sales records • A score of advanced features that reduce typing effort and typing costs are the underlying reasons • Give Royal the DESK TEST! Without obligation—on your own secretary's desk, check the ease, speed, accuracy, and economy of this great writing machine.

* The DESK TEST is a fact-finding trial. It costs nothing, proves everything. Phone your Royal representative for information, or use the coupon below.

ROYAL

WORLD'S NO. 1 TYPEWRITER

GET A 10-DAY DESK TEST FREE!

Royal Typewriter Company, Inc.
Dept. WNB-238, 2 Park Ave., New York City

Please deliver an Easy-Writing Royal to my office for a 10-day FREE DESK TEST. I understand that this will be done without obligation to me.

Name _____
Firm Name _____
Street _____
City _____ State _____

workers but also to those who do not work. Their opponents, now in the minority, are talking as the older minority used to talk, about states rights, liberty, and the Constitution—with the same results.

The appeal to the belly still wins as against the appeal to the ideal of liberty and loyalty to the Constitution.

Two sources of a livelihood

BUT the position of the old majority—represented, among others, by William McKinley—was not identical with that of the new majority. Both are alike in their appeal to the elementary economic needs for food, fuel and shelter. They differ fundamentally in the sources from which these needs are to be supplied.

"I love to see the tall chimneys smoke," said William McKinley on many occasions. Smoke from the factory chimneys symbolized, for him, the source of the working man's livelihood and also the source of his own political strength. The smoking chimney was always mentioned in connection with the full dinner pail. The working men saw the connection and responded with their votes. They recognized that their well-being depended on the activity of the industries.

They rejoiced when they saw smoke issuing from the tall chimneys. Smokeless chimneys were the symbols of unemployment and empty dinner pails.

The politicians now, however, do not depend on smoking chimneys for the means of filling dinner pails or ballot boxes. "The only capital the Government needs is the power to tax," is a formula which is found in various socialist books. Taxation is now the source of the full dinner pail.

By retarding industrial expansion, the Government is keeping large numbers of people out of work. This gives the Government an excuse to run up bigger debts, which must mean more taxes.

If the Government were to encourage industrial expansion, fewer people would be unemployed. If fewer people were unemployed, fewer voters would be dependent on government charity.

Communists would check industry

BUT, whether they intend it or not, the present course leads to the destruction of our whole economic system. This is seen with perfect clarity by the Communists, who are openly hostile to our system. They see that, if industry should expand, unemploy-

ment would be cured, and the Communists would never win in this country. Their only chance is to prevent industrial expansion, to increase unemployment, pile up higher taxes to take care of the unemployed, and oppress industry with punitive regulations until the whole system breaks down.

Not a question of starving

"WOULD you let the people starve?" is the excuse of the politician. He must know that American working men do not starve when they are employed.

There are two sources from which the workers' livelihood may come. One is productive industry where the worker produces his own purchasing power. The other is taxation under which his purchasing power comes out of the pockets of the taxpayer.

Unless we are Communists (and if we are, we ought to be frank about it) our choice must be between these two sources.

It is not a choice between letting people starve and not letting them starve.

It is a choice between giving them jobs and giving them doles. Doing useless work and getting paid for it is a dole since the wages must be raised by taxation and do not come out of wealth created by those who receive them.

The whole question boils down to this:

Which is the better way to fill dinner pails and put chickens in pots?

One way is to start the smoking chimneys, the other is to start the tax gatherers. Smoke is not made to issue from factory chimneys by making it harder to pay the costs of operation out of the receipts from sales. That is not made easier when the Government grabs off increasing sums in the form of taxes. It is not made easier by encouraging men of violence to interfere with the operation of factories. It is not made easier by increasing the uncertainties and risks of business.


Shall men be free or kept?

WHICH is the better way to increase purchasing power: to enable men to produce their own purchasing power or to take it away from those who have it and give it to those who do not?

There can be no doubt as to the answer when we remember that goods and services are paid for with other goods and services. The only real purchasing power consists of goods and services which are exchangeable for one another. Money is

PROTECT FINE FINISHES AGAINST SHIPPING DAMAGE

WITH **Kimpak** CREPE WADDING



Here's why KIMPAK cuts shipping losses!

1. KIMPAK Crepe Wadding is the modern soft and resilient packing material—designed to absorb shocks in transit that can damage your goods.
2. KIMPAK is free of dirt or grit that will mar the beauty of your product. Highly absorbent, it meets postal regulations regarding shipment of liquids.
3. KIMPAK solves all packing problems—protects small fragile articles as well as large items with fine surfaces.
4. To apply KIMPAK, you just lay it on or stuff it around the merchandise. It cuts shipper's time and ends fuss, muss and waste in shipping room.

FREE! 1938 PORTFOLIO OF KIMPAK
Learn more about KIMPAK. Address nearest Sales Office on your letterhead for **FREE** portfolio of samples.



KIMBERLY-CLARK CORPORATION, Neenah, Wisconsin
Sales Offices:
8 S. Michigan Ave., Chicago 122 E. 42nd St., New York City 510 W. 6th St. Los Angeles

only an instrument which makes it easier to exchange goods and services than it would be without it. Issuing new money does not increase purchasing power. When men now idle are put to work producing something new and salable, they will have new purchasing power because they will be producing it themselves.

From a short-time point of view, it may not make much difference to a man out of work where his subsistence comes from. Food is food whether it comes as a dole or as the result of productive work. From a long-time point of view, however, there can be no question. Can a successful appeal for the labor vote be based on the long-time point of view? On that question hangs the fate of the country.

If the answer is yes, industry will expand under the encouragement of a friendly government and we shall see an end of unemployment. If the answer is no, industry will shrink under the attacks of an unfriendly government.

A choice of two ways

IN THE one case, we shall have more and more goods put within the reach of more and more people and more and more jobs for more and more workers.

In the other case, we shall merely scramble for shares of existing wealth, doling out business opportunities to political favorites, grab off for our unions such jobs as there are, and try to support the rest of the people on public charity so long as there is anybody left to be taxed.

Anyone who accepts the proposition that industry is more likely to expand and employment to increase under the encouragement of a friendly than under the attacks of unfriendly government, will have clear ideas as to who the friends of labor are.

He will understand that you cannot measure a man's friendship for labor by his hostility to business and industry.

One industrialist who makes two jobs to exist where one existed before is worth more to American labor than all the agitators combined. The government which lends encouragement to industrialists of that kind is the only government that deserves to be called friendly to labor. The government that tries to hog-tie such an industrialist is really trying to make only one job exist where two existed before. Such a government is, fundamentally, as much an enemy of labor as of employers, whatever its professions of love for the workingman may be.



**IT
REQUIRES
ENORMOUS
PLANT AND
FACILITIES**

**TO SERVE OUR
CUSTOMERS**

The exceptional quality of Republic Mechanical Rubber Products has created large demands among industries of practically every description. These industries are quickly served by Republic Distributors in all important localities who stock Republic Belting, Hose and Packings of many grades. Extensive plant and manufacturing facilities are necessary to maintain this large flow of products to the user with an assurance of highest quality and a minimum of delay. Every Republic Product is the result of highest engineering skill and careful laboratory tests, processed by long experienced rubber craftsmen and the most up-to-date equipment.

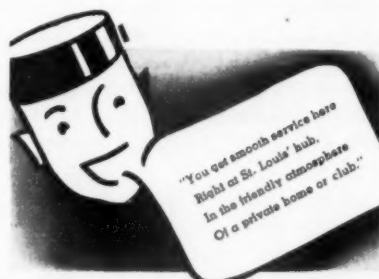
REPUBLIC RUBBER

Manufacturers of HOSE
BELTING • PACKING
MOLDED PRODUCTS



Division OF LEE RUBBER AND
TIRE CORPORATION
YOUNGSTOWN, OHIO

ORDER REPUBLIC RUBBER PRODUCTS FROM YOUR DISTRIBUTOR



**HOTEL
Lennox**
SAINT LOUIS

OVER 50% OF ALL ROOMS \$3.50 OR
LESS. SINGLE: \$5.00 OR LESS. DOUBLE

SWINGING PANEL FIXTURES

For Displaying Maps,
Charts, Blueprints,
Photos, Advertising,
Samples of Merchandise.



Like vertical loose-leaf book. Both sides of wings used for displaying a vast amount of material in compact space. Built of steel. Various styles and sizes. Write for catalog.

Made in many styles and sizes. Get catalog.

MULTIPLEX DISPLAY FIXTURE COMPANY
926-936 N. Tenth St. St. Louis, Mo.

**50
Models**

Elliott

**\$50
To
\$5000**

ADDRESSING MACHINES

R. C. A. VICTOR of Camden, N. J. is one of many prominent concerns that have recently installed Elliott Addressing Machines for Pay Roll work. Pay Roll Sheets are addressed visibly and ejected automatically.

Made in Cambridge, Mass. Sold everywhere. Look in your telephone book.

so the capital loss deduction from the tax involves double deduction. If John Smith's income in future years will be lessened because his factory burns this year, he will then—in those future years—have correspondingly less taxes to pay. He should not have any less to pay *this* year, if his income is not less this year, though it be less *next* year.

However, for the comfort of those who insist on putting a tax on savings, reinvestments, appreciations, undivided profits, capital-gains, or any other item or items which would not be taxed under the service-concept, let it be noted that this can easily be done through a separate tax (not correctly an income tax) and at such a rate as may be desired. Here, we are concerned only with the taxing of income under the service-concept and on the assumption that real income and income spent are equal. Under such a system the tax would be levied according to the following simple tax schedule:

Tax Schedule for a Given Year, to be Filled Out by Taxpayer

Paid Income from Investments and Work

1. Receipts from Salaries, Wages, Fees, Commissions.
2. From Dividends.
3. From Rents and Royalties.
4. From Private Business or Profession, Partnership, Syndicates, Pools, less money put in during the year.
5. Borrowed on business loans (i.e., all loans for financing investments), less money paid on those loans and money lent.
6. Interest received, less interest paid on said business loans.
7. From sales of securities or other property, less purchases (including all investments made in the year).
8. From gifts, bonuses, bequests.
9. **Total Net Paid Income from Work and Investments** (sum of lines 1 to 8).

Added from Cash

10. Cash on hand at beginning of year.
11. Cash on hand at end of year.
12. **Net Money Taken from Cash** (line 10 less line 11). (The result may be either plus or minus.)

Total

13. From work and investments (i.e., line 9 repeated).
14. Added from "cash" (i.e., line 12 repeated).
15. **Total Net Income** (sum of lines 13, 14), subject to the deductions below.

Deductions

16. Contributions.
17. Taxes paid.
18. Life Insurance.
19. Any other deductions authorized by law.¹
20. **Total deductions** (sum of lines 16, 17, 18, 19).
21. **Taxable Income** (line 15 less line 20).

¹These should include the costs of medical care, as specified in the late Ogden L. Mills' proposed bill for a Spendings Tax, mentioned below.

Besides filling out these 21 lines, the taxpayer should be asked to declare that the final figure, on line 21, agrees exactly with his "spendings" during the year for personal uses and personal-use goods and that he is prepared to prove² such consistency to the government inspector.

These schedules are sufficient for the purposes of this article. In practice, of course, other details would be supplied as to surtaxes, special rates on "earned income," etc., as well as routine explanations and directions, including convenient arrangements for subtracting instead of adding, whenever line 12 turns out to be negative instead of positive.

Against double taxation

WHEN the late Ogden L. Mills, recently Secretary of the Treasury, was a congressman he introduced a measure identical in principle with the measure here proposed. He called it a "spendings" tax. (H.R. 7858, July 20, 1931.)

It is in accordance with the ideas of John Stuart Mill as to an ideal income tax and of many other experts today. The majority, however, have not yet been converted to the idea that taxing savings is double taxation.

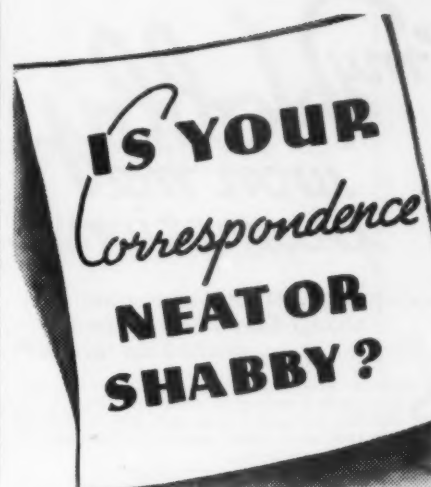
Compared with the proposed return, the tax return now in use differs in several respects. It includes "realized capital-gains or losses." It also includes "losses by fire, storm, etc." and "bad debts." All of these automatically are excluded in the proposed schedule, not being payments or any other sort of services or dis-services.

On the other hand, the proposed schedule includes several items *not* included in the present federal tax schedules: gifts, bonuses, bequests; net cash used during the year; money reinvested; money borrowed; money lent. These new items offset, to a certain extent, the old items excluded; but not entirely.

The main difference (to which these differences are incidental) is that the system here proposed and covered by the schedule does not include capital-gain in addition to personal-use income. The system now in use—if it can be called a system—includes some capital-gains while excluding others.

Nor does the proposed schedule

²Such proof can be furnished by records of John Smith's personal expenses for food, clothing, amusements, education, personal transportation, automobiles and their care, dwelling house and house furnishings and their care, as well as a few miscellaneous items. These spendings include, of course, rent of dwelling house, installment payments on dwelling house, house-furnishings, automobile, as well as all other net payments to finance these or other durable goods for personal use. In particular, the net payments on the mortgage on a house should be included. All payments, in or out, involved in such consumer loans and financing must be taken into account here.



Consider this question carefully

You wouldn't keep a shabbily clothed, untidy salesman on your payroll. The same is true of correspondence and documents. The effect of a letter is destroyed when a paper of no character is used . . . for this hinders rather than helps your efforts to make a good impression.

To inspire confidence and create prestige, use Eaton's Berkshire Typewriter Papers. Their traditional quality has made them the most widely used typewriter papers in the world. This fine quality *is yours at no extra cost* because there is a grade to meet every requirement, from impressive paper for letterheads, to less expensive papers for ordinary needs.

Ask to see Eaton's
**TYPEWRITER PAPER
SELECTION CHART**
at your Stationer's

It will help you to select
the proper grade of paper
for your particular needs.



"My Hobby won me promotion!"

... what I'd studied as pastime
changed my whole future life
... doubled my income!"

STARTLED as was this LaSalle member—we weren't. Promotion comes quite often that way. Unexpectedly, men and women cash in on the LaSalle training that they began merely for general self-development—as a hobby.

But can anyone study as a "hobby"?

Well, just put yourself at an automobile sales-manager's desk, for example. Build your sales organization, plan advertising, adjust margin on this model, plan promotion for that, then justify your policies to your president. By such actual practice work, the LaSalle student of Executive Management really learns to manage a business.

Or take Law training! The LaSalle law member wrestles with the realistic legal tangles of his lifelike clients. And the accountancy student sets up new companies, finds and remedies profit-leaks in the methods of existing concerns. The traffic management student handles shipping problems—so factual that their details are as real as any he will encounter when he holds down a traffic job. *Theory is out! Practice is in!*

That sort of study is interesting! It is fascinating to study the knotty, real problems of business and either come up with the right answer or have interestingly explained to you by experts why your solution doesn't quite meet the issue. That way—next time—your solution *does* work. Meanwhile, your knowledge is growing, your mind expanding.

And soon you find that you have mastered a new ability, possess a new power that may stand you in good stead the very next week in your own work. You have greater confidence in yourself, your associates and superiors recognize your greater ability, and sooner or later you will reap promotion and money reward.

Try it out for yourself! Surely there's some subject you've long wished to know. Why not know it? Why not know it *NOW!* Invest part of your spare time! You'll be amazed at how little effort is needed, how much pleasure and profit will accrue.

All you have to do is mail us this coupon or a post-card. Ask us to send you information on any subject listed below. Find out—TODAY!—how easy it is to be the man or woman who knows. And who knows more than just the one job of the moment. Prepare, in short, for the future—build your own future! LaSalle training is one of the easiest, most interesting and most profitable self-development moves you can make!

FREE!

Any of these booklets—or similar ones on your own field.



LASALLE EXTENSION

Dept. 2374-R CHICAGO

Please send me—without cost or obligation—full information about how I can, through your training, equip myself for the new problems and opportunities in the business field I have checked:

- | | |
|--|--|
| <input type="checkbox"/> Higher Accountancy | <input type="checkbox"/> Business Management |
| <input type="checkbox"/> Law: Degree of LL.B. | <input type="checkbox"/> Traffic Management |
| <input type="checkbox"/> Commercial Law | <input type="checkbox"/> Stenotypy |
| <input type="checkbox"/> Industrial Management | <input type="checkbox"/> Business Correspondence |
| <input type="checkbox"/> Business English | <input type="checkbox"/> Salesmanship |

Name _____

Position _____

Address _____

make any allowance for capital-loss or shrinkage, whether through fire, flood, or other cause.

The capital-gain provisions in the present practice have been patched in order that "realized" capital losses may be applied only against "realized" capital-gains, not against income in general. This is an implied confession that capital-gain is not true income.

If it is insisted that capital-gain is to be taxed at all, the tax *should* apply to all the capital-gain of the taxable year and to no capital-gain of any other year. Moreover, it should apply to all forms of capital-gain whether private or corporate. The present tax on "realized" capital-gains violates both these requirements. The first step toward consistency would be to disentangle capital-gain from income proper—that is, from service-income, which, when totalled, is the real income. If that were done, we should at least know what we are taxing.

But, ideally, there should be no tax on capital masquerading as a tax on income. For this implies double taxation. This vitiates the tax on undivided profits.

Under the service-concept there could be little tax avoidance and evasion and little debate. So long as John Smith keeps a record of his cash transactions he would need no complicated spreading devices—for income-tax purposes. Of course, some of these various methods of spread-

ing are often useful for corporate accounting but, for individual income tax accounting—under the service-concept of income—they are entirely superfluous.

Subterfuges eliminated

UNDER the proposed system, the tax dodger could accomplish nothing by selling one certificate rather than another, or by selling on one day rather than another, or by selling at all. A rich man, living high, could not register a negative income. A poor man would not, through a distress sale of stock, be taxed like a millionaire. The trick of setting up a "personal company" and then borrowing living expenses from it would no longer avail the tax dodger. Money so borrowed and not invested could not, under the service-concept, be made to seem like anything but income.

It is true that some wealthy tax dodgers might still spend money on expensive pleasures, such as yachts, hobby farms, fancy dairies, and they might represent these expenditures to be investments for the purpose of returning future money income, but such misrepresentation would be more manifest than now, because of the new sharp distinctions. Moreover, the proposed system would greatly facilitate the check-up of such evasive returns, because *total net money income and income spent* would have to come out equal to the last cent.

—And Promote the General Welfare

(Continued from page 70)

and many of them, in addition, lent the services of their experts to do intensive work so that every phase of state government and state expense might be covered.

Incidentally, the final report suggested more economical operation in many departments and a possible saving of \$16,000,000 a year. Some of the recommendations are already in effect.

Cooperation to save taxes

IN THIS same field, Mr. Thomson, a little more than a year ago, fathered a new organization in Ohio—it was his idea to have an Interorganization Committee in each county. The object of this committee is to prevent the imposition of new taxes in Ohio. There are always groups insisting that new taxes should be imposed for special purposes. There were many such groups in Ohio, but as the movement against new taxes gained impetus, it became increasingly hard

to get any program of increases through the legislature.

Moreover, Mr. Thomson, as president of the Ohio Chamber of Commerce, inspired an effort to collect delinquent real estate taxes as a further means of avoiding new levies. In the small county of Butler, more than \$500,000 was collected through a definite program instituted by the taxing authorities. Here the delinquencies were nearly \$2,000,000.

The total saved to Ohio taxpayers has been estimated at \$38,000,000 in two years, based on various proposals for tax boosts in the legislature.

In all of his undertakings Mr. Thomson has carried the ideal that general public service is paramount to service for any single group. His formula for any chamber of commerce which would truly represent its community is simple:

The chamber of commerce of any city should be the clearing house for every community activity. It should not alone be the representative of the merchants and the manufacturers, but it should

represent every group, every idea, which has for its object the promotion of community welfare: labor, agriculture, business, industry, education, public servants—every one with its own interest but every one likewise interested in the community as a whole. Governmental agencies should be the first to go to any such chamber of commerce, because it is there only that they will be able to get a real cross-section of public opinion.

No chamber of commerce should exist for the purpose of gaining special advantages from government at the expense of the public for any special group or interest.

The chamber, as I see it, should exert its influence for the writing into law of the city, state and nation, of those measures which best serve the people as a whole. It should oppose those which prefer special groups. After all, we are all Americans and no one group can exploit another without the public being affected adversely.

I hope the day soon will come when all branches of government which really want to execute the will of the people will look to the chambers of commerce as a well equipped medium through which they can get an expression of opinion. Let these bodies be the clearing house for all public activities.

I likewise hope that the members of the chambers of commerce will take their memberships seriously so that greater things may be accomplished. Drones are thrown out of hives in winter.

In Ohio, the state Chamber has attempted real service; we believe we have been helpful to the legislature in non-political advisory capacities and to the Governor and have promoted a genuine service to the people.

No "private" offices

I ASKED one of his personal friends what, in his opinion, had contributed most to the unusual success which Mr. Thomson has attained.

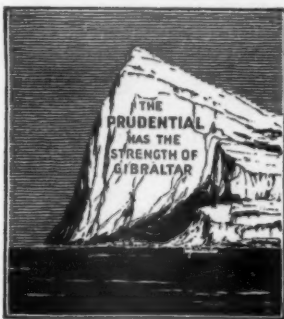
"He is the most democratic man I ever met," he said.

This is one of his outstanding characteristics. He is at home in any group; he is not a "closed door" executive. The word "Private" is barred from all offices in the Champion Paper and Fibre Company. The back-tender on one of the great paper machines can feel as much at ease when talking to him as the Governor of the state. He has that unusual capacity of making others feel at home when they are with him. Let's see about it.

While Mr. Thomson cannot be numbered among the ultra rich of the nation, he is independently wealthy.

His father was a successful business man and, when he started the coating mill in Hamilton, he had a talk with young Alexander. The boy was 16 years old. As a result of this talk, Alexander and his father agreed that it would be better for the youth to learn all about the coating of paper from the ground up than to go to college. Young Alexander had not been graduated from high school.

He was given a job in the coating



Large Policy Small Premium

Many men must meet their life insurance needs with this type of contract. We can show you several very interesting variations.

THE PRUDENTIAL

INSURANCE COMPANY OF AMERICA

EDWARD D. DUFFIELD, PRESIDENT

HOME OFFICE: NEWARK, N. J.



One of a Series, "A Five-Year Record"

A UTILITY SERVICE THAT BEGINS AT HOME

SOME 18,680 of its employees are protected by the Associated System's insurance plan. This plan has been in effect in final form since 1932. Under it employees are given both ordinary life and group policies. Total amount of insurance in force is \$77,187,000.

This insurance has paid 755 death claims, amounting to \$2,692,000. About 25% of the employees who have died since the plan has been in force carried no other insurance. Another 18% had \$500 or less.

Part of the cost of this insurance is paid by Associated companies. This is a contribution to the welfare of employees. And welfare of employees has a lot to do with quality of utility service.



ASSOCIATED GAS & ELECTRIC SYSTEM

The Factor speaks:



Adversity was depicted by the ancient Persians as a griffin, a fabulous monster with wings, horns and claws. At Persepolis a famous carving shows a king, typifying mankind, in deadly combat with a griffin

and, in repelling its onslaught, literally "taking the bull by the horns."

The modern factor enables the manufacturer or merchant to withstand unfavorable conditions, and even put adversity to flight, by reinforcement of working funds and elimination of credit losses. He does this without interfering with management or creating new capital obligations.

"THE FACTOR'S ALMANAC" on request.

James Talcott, Inc.

225 Fourth Ave. New York City

1854

1938

SPENDING HALF A MILLION

THE Willard has recently spent \$500,000.00 to make this hotel Washington's newest in equipment and beauty. Truly "The Residence of Presidents".

H. P. SOMERVILLE
Managing Director

THE WILLARD HOTEL
WASHINGTON, D. C.

ACCOUNTANTS!

Save time; increase your ability to handle new problems, modern conditions with this famous 1,740-page handbook of latest expert practice, from simple bookkeeping to higher accounting. Helps you display the kind of skill that wins recognition and advancement. Guides you in prompt, practical handling of any situation, everyday or emergency. Principles, procedures, forms, controls, systems, reports, audits, etc.—31 big sections complete in one handy volume—the **ACCOUNTANTS' HANDBOOK**.

Nothing else like it. Widely used by executives, credit men, bankers—over 140,000 bought. Editorial Board of 70 experts. Content would fill 10 books.

FREE Mail coupon below for sample section and facts about Handbook; for prompt reply we will also send **FREE Handsome Pocket Memo Book** designed for accountants and financial men. Contains valuable tables, shortcuts, and everyday business data.

Send for Sample Section

Clip and mail this form
THE RONALD PRESS COMPANY Dept. M 137
15 East 26th Street, New York, N. Y.
Send me the 32-page sample section of the Accountants' Handbook and information about this famous volume, together with **FREE Pocket Memo Book**.
Name (please print)
Address
City State

room of the new plant. Any one familiar with this work 40 years ago knows that it was not an easy or pleasant task. It was then about the hardest in the mill. It entailed working with sticky—and sometimes stinky—glue, for research and scientific study had not yet developed the new processes which led to a finer product. The young man also learned about the ingredients which are used to coat paper, the machinery with which it is done, and all about the "hot line" where, in those days, men worked in short shifts in temperatures as high as 200 degrees.

Worked with his employees

WHEN the company started the manufacture of its own paper, he worked at the machines to learn about this feature of the business.

These hard manual jobs and his close association with the men who worked at them taught him to talk their language, to meet them on common ground in their daily difficulties and their daily pleasures.

Hundreds throughout the mill hail him today as "Alex" and the greeting carries all of the respect which one man can have for another. He walks through the huge plant at Hamilton almost every day without coat or tie and everywhere he has to stop to pass a few family greetings with Dad or Jack or Charley.

He knows them by their first names; they think of him by his first name.

As a result of his early associations, Champion was engaged in social security long before the phrase became a political football.

For years Mr. Thomson has preached that men who work for wages want more than money in return for their labor.

Employees of Champion have received, over its long history, assurance of steady employment until they reach retirement age or illness keeps them from their daily work.

Experienced in the whole plant

FROM the mill, Mr. Thomson graduated to the office where he served as stenographer, copyist, cost clerk, salesman, advertising and then sales manager and a few other things—every job contributing its share to his knowledge of the business of which he became, several years ago, the active head.

A natural interest in trees and forests has been augmented by the fact that paper making requires pulp and pulp is made from wood.

An invariable rule of the company which controls forest rights on millions of acres is that a seedling must

be planted to replace every tree cut down. Mr. Thomson is on the executive committee and board of directors of the Central States Forestry Association and one of the nation's best known exponents of the conservation of our woodlands.

Although his formal schooling ended when he was 16, his practical education has gone on and he has little respect for theorists who attempt to change the whole course of human trends by passing a new law.

Mr. Thomson has an idea that this is a pretty good world after all—not perfect by any means, but in America, at least, a fine place to be. More of this thing called prosperity, which provides the necessities and some of the luxuries of life, has been allotted to more millions in the past 75 years than ever before. The real distribution of wealth which Mr. Thomson would like to see is that which gives every family that is industrious and willing to work the things in life which bring comfort and tend to produce greater happiness and contentment.

A lodge in the country

OUT in Indiana, near Versailles and Holten, they call him Squire Thomson. His lodge is the rendezvous of all, and special functions are arranged each year, for several hundred who live in the neighborhood.

The lodge has been named "Old Timbers" and there about Christmas time each year the folk for miles around gather for a party that brings to mind the town celebrations of years ago. The men and women like to "chin" with Squire Thomson as much as he likes to swap yarns with them.

They have another celebration, too, in Versailles, which is eight miles from a railroad, in the fall. The street about the court house is cleared of all traffic and prepared for the neighborhood dance. The grand outdoor ball is led by "Squire" and Mrs. Thomson, who before her marriage was Mary Moore Dabney, daughter of former President Charles W. Dabney of the University of Cincinnati.

This outdoor fair is not the most dignified gathering in the world, but none who attend ever forget the real folks they meet.

Two or three years ago, Mr. and Mrs. Thomson were driving through Versailles on the way to the lodge for a week-end. Mrs. Thomson saw an old hotel—a landmark of the early history of the town. They inspected the building and inquired as to its antiquity; as a result, they bought it and restored it to its ancient grandeur. Now the village can boast of

a hotel that is known for its fine Hoosier hospitality.

Hospitality reigns at "Old Timbers" too.

Running through the farm is a creek. Mr. Thomson has dammed it in four places and keeps it stocked with fish—bass, crappies and cat.

Guests who desire fresh fish for dinner are invited to catch their own. Those who succeed enjoy a special treat because Mr. Thomson prides himself on his special recipe for frying fish.

He'll not give it away; he'll permit no one else to fry them either. Those who have tasted his handiwork agree that his pride is justified.

Proud of the boys

THERE is one other thing that brings joy to the life of the Thomsons—that's the boys. They have four sons, Alexander Jr., Charles Dabney, Lewis Clark, and Chilton—all husky young giants, and Hamilton people are inclined to envy the great times that dad and sons have together.

Here in Hamilton we hear a story of the five attending a night ball game in Cincinnati. Their seats were several rows back. The game was close.

The more interesting the game became, the more enthusiastic the crowd got. Two men in front kept standing, much to the disgust of those in the back rows.

The Thomsons started war—first one and then the other threw a few peanuts at the rabid fans. Others followed suit but the bombardment failed to get results. The men insisted on keeping on their feet. Mr. Thomson had an inspiration:

"Peanuts, peanuts!" yelled a boy as he walked down the aisle.

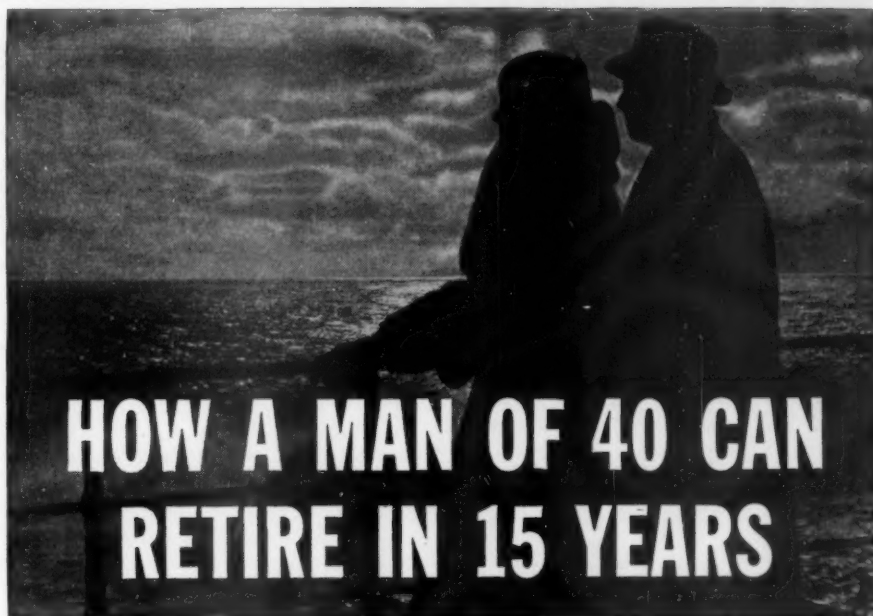
A way of getting things done

THE president of the Ohio Chamber of Commerce, a director of the United States Chamber of Commerce, the chairman of one of the largest paper coating plants in the world, reached down in his pocket, pulled out some money and the peanut vendor made an all time record sale. Mr. Thomson bought his supply.

When the fans again refused to heed the demands of the crowd to "sit down" they were bombarded with sacks of peanuts, hurled by four young giants and their dad.

The men turned around—laughed and sat down.

Which seems to indicate that, in almost any circumstances, Mr. Thomson can find a way to accomplish his purpose. And that purpose is furthering programs that will help the people as a whole.



IF you're around 40, you're lucky! If you're younger, so much the better. You can have a steady income guaranteed to you for life starting when you retire, an income that most men at the

age of 55 couldn't possibly afford!

By starting now on this simple, definite Plan, you make it easy to get a guaranteed monthly income for life when you are ready to retire.

\$1800 a year beginning at age 55

Suppose you decide that you want to be able to retire on \$150 a month beginning at age 55. Here is what you can get:

1 A check for \$150 when you reach 55 and a check for \$150 every month thereafter as long as you live.

This important benefit is available alone; but if you are insurable, your Plan can also include:

2 A life income for your wife if you die before retirement age.

3 A monthly disability income for yourself if, before age 55, total disability stops your earning power for six months or more.

Best of all, the Plan is guaranteed by a company with over half a billion dollars of insurance in force. If you want to retire some day, and are willing to lay aside a portion of your income every month, you can have freedom from money worries. You can have all the joys of recreation or travel when the time comes at which every man wants them

most. Whether you quit work or not, you get your income just the same.

The Plan is not limited to men of 40. You may be older or younger. The income is not limited to \$150 a month. It can be more or less. And you can retire at any of the following ages: 55, 60, 65, or 70. Similar Retirement Income Plans are also available to women.

What does it cost? When we know your exact age, we shall be glad to tell you. In the long run, the Plan will probably cost nothing, because in most cases, every cent and more comes back to you at retirement age.

Write your date of birth in the coupon below and mail it today. You will receive, without cost or obligation, a copy of the interesting illustrated booklet shown below, "How to Get the Things You Want." It tells

all about the Phoenix Mutual Retirement Plan. Send for your copy now. The coupon is for your convenience.



Phoenix Mutual Life Insurance Company
267 Elm St., Hartford, Conn.

Please send me by mail, without obligation, your book describing the

PHOENIX MUTUAL RETIREMENT PLAN.

Name _____

Date of Birth _____

Business Address _____

Home Address _____

for RELIEF OF
COMMON EVERY-
DAY AILMENTS

Alka-Seltzer

Alka-Seltzer is helping millions of people to keep feeling at their best because of the quick effective relief it gives from Headaches, Upset Stomach, Colds and other common ailments. A Tablet in a glass of water makes a sparkling, pleasant tasting solution. Drink it and relief is usually prompt and effective.

AT ALL DRUG STORES
30c and 60c PACKAGES

Also sold by the Glass at all Drug Store Fountains

Be Wise - Alkalize





GOOD LIVING

Fine food, comfortable smartly appointed rooms, friendly service. And yet over 90% of all rooms for \$3.50 or less single; \$5.00 or less double.

Hotel **Mayfair**
ST. LOUIS

Ready Cash for Small Concerns

(Continued from page 17)

ly met by any other agency. Let us take a typical example:

A manufacturer doing a business of \$250,000 a year has \$50,000 tied up in book accounts. He could handle a volume of \$400,000 if he had the necessary working capital. The additional requirement is about \$30,000. Three methods of raising money (other than factoring) are open to him:

1. Short-time borrowing. This is the most obvious and, if the business is strictly seasonal, so that the loan can be paid off at some time in the course of each year, may be perfectly feasible. In this particular case, however, the volume is fairly steady throughout the year. What is needed is a *permanent increase in working capital*.

2. Taking in a moneyed partner or partners. This would involve division of profits and loss or division of management control. Moreover, the new partners would almost certainly insist on salaries for themselves, making the cost of such capital practically prohibitive in a concern of this size.

3. Flotation of a security issue. This method is impractical for the small manufacturer under present conditions. Even if so small an issue could be floated, the legal and other costs of a public offering would again be prohibitive. Private sale of securities to one or more individuals would merely be the equivalent of taking on new partners with the same disadvantages.

Extending too much credit

BUT there are serious handicaps under which the manufacturer labors in this instance, other than shortage of working capital. He cannot prudently sell to all the solvent concerns who might wish to buy his goods. For example, a large buyer might merit a credit line of, say, \$10,000. But the manufacturer cannot afford to extend such a line, because his working capital is only \$50,000.

Even concerns now solvent sometimes fail, and he cannot risk one-fifth of his working capital on one customer. In fact, the whole problem of credits and possible credit losses acts as a serious drawback in a business of this size.

Factoring, then, is the remaining possibility. The factor approaches the situation first of all from the angle of eliminating credit risk and thus stabilizing the business. This he accomplishes, after full investigation, by the outright purchase of all the manufacturer's accounts receivable, as at their maturity, without recourse to the manufacturer. That is to say, the factor assumes all responsibility as to credits. In plain language: when customers fail (and

some always do) the factor shoulders the loss.

The factor now owns all of his client's accounts, and agrees to pay for them when and as they mature, at their net face value less a small percentage as his compensation, whether any of them prove insolvent or not. Some clients go no further than this, being content to have the factor warrant the solvency of their customers. But this manufacturer needs ready cash. So the factor "advances" payment on the accounts, up to say 90 per cent of their face value, and hands the manufacturer a check immediately for \$45,000 less a few hundred dollars factorage. The remaining ten per cent is remitted when the accounts mature.

A fund of working capital

THE \$45,000 now becomes a practically permanent revolving fund, expanding with the needs of the business. As fast as fresh sales are made, they are assigned to the factor, who promptly makes the requested cash advances. Interest is charged and allowed, pro and con, at the rate of six per cent a year; in other words the manufacturer pays six per cent interest on the money he draws for the time he uses it. This has nothing to do with the factorage.

The factor investigates new customers and indicates the amount of credit he is willing to approve. Occasionally the manufacturer submits an account that the factor is unwilling to purchase, except at the manufacturer's own risk. If the latter in such case feels safe in going ahead, and the amount is not too large, the factor will take it and advance upon it *with recourse* to the manufacturer. In such case a part of the factorage is rebated.

The net result of all this, in this example, is that the manufacturer obtains the required \$30,000 for expansion of his business, plus \$15,000 to spare. He does not "owe" this money to anybody; he has not increased his capital stock nor jeopardized his control of the business. Furthermore, he is protected against all loss due to failure of customers.

He can, therefore, without hesitation, take on additional business up to his \$400,000 capacity. As it is axiomatic that profit ratio tends to increase with larger sales volume, his net profits should be at least doubled. Out of these increased profits he is able to take care of plant additions for further expansion. This service does not usually cost him more

than the six per cent interest on the factor's advances, because the manufacturer cannot well maintain an adequate credit department and absorb credit losses within the amount of the factorage.

If, at the peak of a heavy season, the manufacturer requires further assistance, the factor will advance temporarily a reasonable sum on inventory, or on goods sold but not delivered. On such advances the factor charges interest at six per cent.

With slight changes of detail, this outline applies equally well to the case of a merchant, provided his customers are of a character that the factor's credit department can check.

The factor is thus seen to be, in effect, a species of silent partner. Of necessity, the factor's chief concern is increased volume, but his long-range aim must be the stability and prosperity of his client's business.

This simple and economical machinery for helping the growth of small or moderate sized concerns cannot fail to play an important part in the type of industrial development which is typically American. It is often alleged that the small business man has no chance.

Most business starts small

ON THE contrary, [writes John Allen Murphy in a recent number of *Harper's*] a deeper analysis of the evidence presented brings out the startling fact that a large number of the 1,200 non-banking corporations that command more than 60 per cent of total corporation income were themselves small businesses only a few years ago. . . . Few companies start big. A large percentage of the corporations among these 1,200 were launched under the most humble circumstances. A woodshed or barn or kitchen or attic was the birthplace of many of the most successful businesses.

Those corporations that are set up on a huge scale at the beginning of their careers are usually consolidations resulting from mergers. Generally the units in these large combines started in a modest way, and only after they developed into profitable ventures did they become attractive to the promoters of mergers. . . . In fact, it seems almost impossible for any business to begin big. It appears necessary for it to establish itself slowly, laying one stone at a time. That is the only way to build a foundation strong enough to support a large, enduring organization.

It is during this period, when the moderate sized business is, by reason of steady growth, habitually overtopping its working capital, that the modern factor steps in and not merely assists that growth with ready cash but stabilizes the entire structure by eliminating credit risk. It is not to be wondered at that the factor's business has itself shown such a remarkable increase in the past few years. He is performing a timely, useful and thoroughly logical function.

Burroughs

DESK BOOKKEEPING MACHINE

New . . . Low in Price!



Large concerns find that certain accounting jobs in different departments can now be mechanized at extremely low cost with this new Burroughs.

Small concerns find that it gives them the advantages of complete machine record-keeping with a minimum investment.

Let the Burroughs representative demonstrate the many fine features of this new machine for you. Telephone the local Burroughs office, or mail the coupon for free, descriptive folder.

MAIL THIS COUPON!

Burroughs Adding Machine Company
6112 Second Blvd., Detroit, Mich.

Send me your folder describing the new
Burroughs Desk Bookkeeping Machine.

Name

Street

City

FOR PAYROLL AND SOCIAL SECURITY RECORDS

At one writing, this new low-priced Burroughs Desk Bookkeeping Machine produces pay check (or pay envelope), employee's statement and a record of the employee's earnings and deductions.

FOR BOOKKEEPING

Because it writes dates, adds debits, subtracts credits and extends the new balance, this modern Burroughs posts any ledgers, writes monthly statements, and handles all miscellaneous figure-work inexpensively.

FOR ADDING AND SUBTRACTING

The famous Burroughs Short-Cut Keyboard provides the fastest method for listing, adding and subtracting amounts. Subtraction is as fast and easy as addition.



Statement of Condition December 31, 1937

Assets

Cash, Due from Banks and Bankers	\$262,548,352.78
Exchanges for Clearing House	57,568,448.79
U. S. Government Securities	343,935,273.62
Demand Loans	59,246,989.05
Time Loans and Bills Discounted	185,131,886.80
State and Municipal Bonds	14,286,156.66
Stock of Federal Reserve Bank	2,250,000.00
Other Securities and Investments	11,795,122.89
Mortgages Owned	2,142,448.34
Banking Premises	19,522,481.69
Other Real Estate	731,449.70
Accrued Interest and Accounts Receivable	2,108,647.15
Customers' Liability on Acceptances	5,522,563.29
Liability of Others on Acceptances, etc., Sold with Our Endorsement	5,738,207.31
Other Assets	2,341,340.00
	<u>\$975,069,368.07</u>

Liabilities

Capital	\$25,000,000.00
Surplus Fund	50,000,000.00
Undivided Profits	26,932,372.13
Contingency Fund	5,500,000.00
Deposits	819,473,016.98
Outstanding and Certified Checks	33,323,824.24
Dividend Payable January 3, 1938	1,250,000.00
Unearned Interest	212,164.39
Accrued Taxes, Expenses and Interest Payable	845,553.36
Outstanding Acceptances	11,670,679.55
Less Amount in Portfolio	5,796,785.92
Acceptances, etc., Sold with Our Endorsement	5,738,207.31
Other Liabilities	920,336.03
	<u>\$975,069,368.07</u>

Assets carried at \$23,303,279.25 have been deposited to secure deposits and for other purposes.

DIRECTORS

SEWARD PROSSER, Chairman, Board of Directors				S. SLOAN COLT, President			
STEPHEN BIRCH	JOHN I. DOWNEY	CHARLES D. HILLES	DANIEL E. POMEROY				
CORNELIUS N. BLISS	S. PARKER GILBERT	FRED I. KENT	HERBERT L. PRATT				
HENRY J. COCHRAN	WILLIAM B. GIVEN, JR.	GATES W. MCGARRAM	JOHN J. RASKOB				
WILLIAM L. DE BOST	JAMES G. HARBORD	PAUL MOORE	GEORGE A. SLOAN				
	CHARLES L. TIFFANY		B. A. TOMPKINS				

BANKERS TRUST COMPANY

16 WALL STREET • NEW YORK

FIFTH AVENUE at 44th STREET • 37th STREET at MADISON AVENUE
LONDON OFFICE: 26 OLD BROAD STREET

Member of the Federal Deposit Insurance Corporation

Index of ADVERTISERS

February • 1938

	PAGE
Alexander Hamilton Institute	9
Aluminum Company of America	3rd Cover
American Automatic Electric Sales Co.	1-118
American Brass Company	50
American Credit Indemnity Co. of N. Y.	91
American Mutual Alliance	47
American Telephone & Telegraph Co.	2nd Cover-103
American Tobacco Company	4th Cover
Associated Gas & Electric Company	107
Association of American Railroads	61
Bakelite Corporation	67
Bankers Trust Company	112
Burroughs Adding Machine Co.	35-111
Canadian Pacific	7
Cast Iron Pipe Research Assn.	4
Chevrolet Motor	45
Chicago Tribune	114
Commercial Credit Company	77
Curtis Publishing Company	84-85
Cutler-Hammer, Incorporated	41
Detex Watchlock Corporation	64
Dick, A. B., Company	14
Dictaphone Sales Corporation	89
Eaton Paper Corporation	105
Elliott Addressing Machine Company	101
Erie Railroad System	93
Felt & Tarrant Manufacturing Co.	39
Ford Motor Company	71
Gaylord Container Corp.	98
General Electric Company	2
General Tire & Rubber Company	86
Goodyear Tire & Rubber Company	12
Guaranty Trust Company of N. Y.	90
Hammermill Paper Company	3
Hartford Steam Boiler Insp. Ins. Co.	8
Household Finance Corporation	80
Kimberly-Clark Corporation	100
Lansom Company, The	92
LaSalle Extension University	106
Lennox Hotel	101
Lumbermens Mutual Casualty Co.	81
Marchant Calculating Machine Co.	49
Mayfair Hotel	110
Mayflower Hotel	88
Metropolitan Life Insurance Co.	37
Miles Laboratories, Inc.	110
Monroe Calculating Machine Co.	6
Morse Chain Company	11
Multiplex Display Fixture Company	101
Nation's Business	73-104
New York Times	95
Norfolk & Western Railway Co.	82
North Carolina, State of	96
Northwestern Mutual Life Ins. Co.	65
Phoenix Mutual Life Ins. Co.	109
Portland Cement Association	75
Preformed Wire Rope	10
Prudential Insurance Company	107
Remington Rand, Incorporated	57-87
Republic Rubber Company	101
Ronald Press Company, The	108
Royal Typewriter Company	99
Smith, L. C. & Corona Typewriters	69
Stromberg Electric Company	83
Talcott, James, Inc.	108
Underwood Elliott Fisher Company	79
Vogel-Peterson Company, Inc.	88
Western Electric Company	97
Willard Hotel	108